UNSEEN EMPIRE

DAVID STARR JORDAN

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UNSEEN EMPIRE

A study of the plight of nations that do not pay their debts

By

DAVID STARR JORDAN

Chancellor of Leland Stanford Junior University

God is not sinless; he created borrowers

Bulgarian Proverb

Boston

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TO

EDWIN GINN

PREFATORY NOTE

Some years since, I began a study of the Eugenics of War, the hereditary effects of the systematic extermination by war of the bold and strong among the yeomanry of the nations of Europe. The first results of this study I set forth in two little books, "The Blood of the Nation" and "The Human Harvest." I soon found it necessary to consider also the "Euthenics" of War, the non-hereditary effects of the financial impoverishment of the rank and file of the people by the cost of war and war armament. This little book is a preliminary survey of the elements involved in this subject. There is a Persian proverb, "He who knows will never tell." In this lies my justification for venturing into a field in which first-hand knowledge is largely out of my reach. I am indebted to Mr. E. Alexander Powell for the phrase, "The Unseen Empire." I am also under obligations to my colleagues, Professors Edward Benjamin Krehbiel, Alvin Saunders Johnson, Payson Jackson Treat and Albert Léon Guérard for suggestions of various kinds. I am also indebted to Mr. Arthur W. Allen of the World Peace Foundation for the tables in the appendix, showing the record of debt and expenditure. Lastly, I am under deep obligations

to my wife, Jessie Knight Jordan, for constructive and critical work on the manuscript.

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CONTENTS

PAGE

I. INTRODUCTION 1

II. THE UNSEEN EMPIRE OF FINANCE . 4

A Pregnant Epoch 4

Constitutional Government and Deferred Payment 5

National Debt 6

Science and War 7

The Farmer and His Burden 8

"The Peace of Dives" 8

The House of Rothschild 9

Banking and "Pawnbroking" 13

The Unseen Empire of Finance 14

The Gratitude of Nations 20

"Money Power" 22

III. THE UNSEEN EMPIRE OF DEBT . . . 25

War Debt and Other Debt 25

Debt of Great Britain 27

Debt of France 32

Debt of Germany 37

Debt of the United States 41

Debt of the Lesser Nations 45

Relative Cost of War 47

Trusts versus War Debt 50

The Spendthrift Age 51

The Burden of Armament 53

War Expenditure and National Resources 54

War Debt as a Blessing 56

The Cost of Living 59

IV. THE CONTROL OF NATIONS 62

"Dollar Diplomacy" 62

"Spheres of Influence;" (Persia) . . . 63

"Continuity of Foreign Policy" 68

CONTENTS

PAGE

Money and the Morocco Affair 69
Money and the Tripoli Affair 72
Cost of a Small Modern War 73
Cost of Armageddon 74
Interest of "High Finance" 80
War and Modern Banking 83

V. SEA POWER 86

Armament Competition 86
Purposes of Sea Power 87
Abolition of Legalized Piracy 93
Keeping Step 94
The Monroe Doctrine 96
Unwillingness to Pay 97
Sea Power and Poverty 99

VI. "SYNDICATES FOR WAR" 102

The British Ship Lobby 102
Militarism Further Entrenched . . . 106
Activities of Armament Syndicates . . . 107
The "War Scare" as a Weapon 111
Armament for War or Peace 124
The "Peace Establishment" 125
"Peace Establishments" and Secret Diplomacy 126
Economic Difficulties in Disarmament . 127

VII. WAR TO-DAY 130

Types of Modern War 130
"The Great Illusion" 132
The "Mirage of the Map" 134
The Hidden Trail of Diplomacy 136
"Powers" or Jurisdictions? 140
Germany a Case in Point 141
England and Germany as Rival "Powers" 143
Why Talk of War? 144
Professional Interest a Factor 146
A Grotesque of History 148

CONTENTS

PAGE

VIII. RETRENCHMENT 151

Functions of Government 151
Expenses Unchecked 152
The United States and Retrenchment . 155
A Way to Retrench 167
Readjustment of Values 169
Chief Business of Government 172

IX. THE PASSING OF WAR 175

The Future of War 175
A Way Out 177
The Passing of War 179

APPENDIX—Tables of Debt and Expenditure . . 185

A The Interest-Bearing Debts of the Principal Nations 186
B The World's Military Expenditure . . . 188
C Expenditures of the Ten Chief Military Nations 190
D Cost of Army per Unit of Fighting Force . 191
E Cost of Army and Navy per Unit of Population 191
F Proportion of Military Charges to Total Expenditures in Ten Nations . . . 192
G Growth of Expenditures for Army, 1881-1911 192
H Growth of Expenditures for Navy, 1881-1911 193
I Growth of Combined Expenditures for Army and Navy 194
J The Growth of Debt 194
K Growth of Interest Charge 195
L Combined Cost of Army and Navy with Interest Charges During 30 Years . . . 195
M Appropriations and Expenditures of the United States 196
N Expenditures of the Public Money in the United States 197
O Public Debt of Great Britain 198
P Public Debt of France 199

INDEX 201

UNSEEN EMPIRE

I. INTRODUCTION

In this book I have tried to tell in part the story of the bondage of the nations due to the cost of war and of war preparation. I have tried to show that civilized nations are one and all in their degree under the dominion of a power stronger than Kings or Parliaments, more lasting than Armies or Navies, that is, the Unseen Empire of Finance. I have tried to show that this mastery is not now in the hands of individual men, however powerful, but that it has passed over into an impersonal Empire of Debt. I have tried further to illustrate "Johnson's law of waste,"[1] to the effect that military expenditures among competitive nations expand in peace or in war as wealth expands, "by the law that war shall consume the fruits of progress," and, finally, to show a way in which our nation, at least, may possibly escape the operation of this law.

I have ventured to believe that Johnson's law is dependent on a lack of continuous purpose in popular governments, and that conditions may be changed by the growth of a robust public opinion opposed to war and debt, and by the extension of treaties of arbitration, which, while dependent on public opinion, yet serve to clinch and hold it in right channels. However great the burden of

[1] Professor Alvin S. Johnson, *The Expansion of Military Expenditures.* International Conciliation, XLI, p. 9.

debt, it is in our hands to shift it. As Sir Edward Grey has said in this connection: "The door of our prison is locked on the inside." The way out lies in the unprejudiced survey of the whole situation on the part of a civilian commission of high minded statesmen who will ascertain the real needs of the people in the line of national defense, regardless of pressure arising from personal interests, from professional ideals of military perfection and from the tendency to follow blindly the fashion set by the "Powers" of Europe. There is no final peace until the civilized nations cease to stand as "Powers" rated according to their capacity to exercise external violence, becoming "States" in the moral union of the world, each one, large or small, being primarily a district of legal and political jurisdiction, not a center of physical force. And at the end I have hoped to make it clear that war debt, the overlordship of the Unseen Empire, the "war scare," and secret diplomacy are all of them necessary stages in the passing of war.

In this book there is no discussion of the existence or the effects of the "money-trusts," international or otherwise, nor is there any account of the various associations, national or international, for purposes of industrial exploitation. The relation of financial matters to war armament and national debt alone concerns us.

I wish to say at the outset that my thesis involves no criticism of the men who compose our

army or who man our ships. I believe, however, that the time has come to cast behind us the thought of war as a possibility in national affairs, and to devote our money and our energies toward more real and immediate needs. We have better weapons than the sword, a more powerful national defense than warships.

I hold in the highest esteem the character and influence of our national academies at West Point and Annapolis. These stand among the best schools of engineering in the world, and none excels them in that discipline of self-restraint which is the foundation of character. Among the officers of our army and navy are many who do most effective work for peace. They recognize the wickedness and futility of avoidable war. Those who know war best realize that there can be no worse calamity.

A typical utterance of a brave man, a statesman as well as a soldier, is this of General Carl Schurz after Gettysburg: "There are those who speak lightly of war as a mere heroic sport. They would hardly find it in their hearts to do so had they ever witnessed scenes like these and thought of the untold miseries connected with them that were spread all over the land. He must be an inhuman brute or a slave of wild unscrupulous ambition who, having seen the horrors of war, will not admit that war brought on without the most absolute necessity is the greatest and most unpardonable of crimes."

II. THE UNSEEN EMPIRE OF FINANCE

In this chapter I try to set forth briefly the story of the rise of the "pawnbrokers" of the world, into whose hands the commerce and industry of the nations have been given as pledges for purposes of war.

It is true that many of these men and the houses they have founded have become prominent as bankers and as leaders in commercial and industrial enterprise. Many of them also have been eminent for personal virtue and as benefactors to their kind. Nevertheless, one and all have laid the foundations of their fortunes in "pawnbroking," that is, in ministering to the demands of spendthrift nations.

A Pregnant Epoch

One of the most momentous periods in world-history was that of the early nineteenth century. This epoch was marked by the coming together of growing forces in civilization, all related in one way or another to the rise of democracy, itself a cause as well as an effect of the passing of civil war.

First of these stands government by the people, as opposed to government by the King and the King's favorites. Next comes the movement of scientific research which in turn gave the impulse toward mechanical invention.

Invention changed the nature of war, as it changed industry and commerce. It made war operations vastly more effective as well as vastly more expensive. Finally, we have the rise of an international system of finance, strong enough and with ramifications wide enough to take whole nations into pawn, and always at hand statesmen ready to pledge the future to any extent in the interest of national glory.

Constitutional Government and Deferred Payment

Constitutional Government gives stability which makes possible deferred payments on a vast scale. The Kings of Old had to pay on the spot. Their credit was bad. They were forced to make their way by many devices. Among these was extortion, a form of which was the "patriotic loan," enforced with the prison as the alternative. Otherwise they depended on fawning, bluster, sale of favors, debasement of coinage, issue of paper money, "squeezing" of taxes, and other methods characteristic of the absolute monarchy. "*L'état, c'est moi,*" "I am the State," was the declaration of Louis XIV, and the State, which was the King, borrowed money at a great disadvantage. But a Parliament could bind the whole nation. It could borrow money it never expected to pay. It had only to keep up the interest charges. Thus the debt of Republican France today exceeds many times the largest bor-

rowings of Louis the Magnificent. Even the interest charges alone approach the high water mark of the royal loans of the Eighteenth Century.

National Debt

In the theory of William Pitt, premier of England, the source of authority lay in the people. The men of England owned England and were responsible for its present welfare. "The only source of authority under Heaven," wrote Cromwell, "is the consent of the governed." But in Pitt's view, the owners of England were the people actually alive at any given time. The past had no stake in it; the future had acquired no interest. Therefore, if the men of Great Britain chose to mortgage their nation to secure some great present good, it was their right. Thus immense sums were borrowed and expended in compassing the downfall of Napoleon, and the national debt of Great Britain mounted up to the undreamed-of sum of nearly £800,000,000, a sum which has never been repaid, will never be repaid, can never be repaid so long as the natural growth in national wealth, due to peace, invention and commerce, is all swallowed up by the incredible burden of armament. With the device of the National Debt, as Goldwin Smith observes, "Pitt removed the last check on war." War is no longer limited by the exhaustion of the combatants, but may be continued at the expense

of future generations so long as international "pawnbrokers" are willing to cash the bills drawn against the future.

It is said that Pitt's last words, with the national debt in mind, were these, "Oh, how I leave my country."

Science and War

In the nineteenth century, mechanical invention, constantly active, supplanted the wooden frigate of a hundred years ago by Dreadnaughts and Superdreadnaughts, gigantic floating forts, each costing many times an emperor's ransom, and each new device tending to send all vessels of earlier make to the junkheap. Twelve millions of dollars may now be spent on a single ship and every feature of its upkeep is costly in the same proportion. Like progress has been made in the art of ship-destroying. Shore guns, mines, torpedoes now forbid the approach of a warship to a hostile port. Furthermore all ships and fortresses are already threatened from the air. All appliances of war have steadily increased in effectiveness and in cost, in sad parallelism with the applications of science in other directions. As the cost of war expanded, the need for more money in all warlike nations grew likewise. No nation was willing to be thought not warlike. Thus, more and more, the statesmen of the day were eager to pledge the future of the nation for immediate results.

And as all persistent demand is met by supply, we have as a necessary result the rise of the great "pawnbroking houses" of the world, the first and most powerful of these being the great house of Rothschild.

The Farmer and His Burden

In a French Journal more than a hundred years ago there was published a cartoon. A farmer was plowing in the field and on his back he bore a frilled marquis of the old régime, tapping his dainty snuff-box. A century later, in Paris, was published another cartoon, representing again the burden of France. The farmer still plowed in the field, but now, on his back, was a soldier armed to the teeth and on the soldier's back was borne a money-lender.

"The Peace of Dives"

In his poem, "The Peace of Dives," Rudyard Kipling has cleverly told the story of the way in which Dives, the Rich Man, was allowed to bring peace among the nations, as a condition of his release from his place in Torment. In brief, Dives came forth and went abroad through the earth, selling to the Kings and the Nations the costliest of toys. He sold them Sea-power and Land-power and Imperial Dominion and all Pomp and Circumstance. For these things, so attractively offered, the Kings and the Nations "pledged their flocks and farms" and he bound them hand

and foot in the maze of debt, until even the mightiest of them were no longer fit to fight. "They had pawned their utmost trade, for the dry, decreeing blade," but the blade once in their hands, they had no longer strength to use it. Then Satan appears, but with all his deadliest magic, greed and fear and hate, he found it impossible to stir up the nations to war. For Dives had "trapped them, armoured into Peace." So bound hand and foot and peaceful by force of debt, they were ready to be laid at the feet of the Lord.

The House of Rothschild

It is a true story, that tale of Kipling, but it is a parable and thus needs a bit of interpretation. The name of this man, we may understand, was not Dives. In the beginning it was Mayer Amschel, but as time went on, his descendants continued his work, and with them were many associates. He was not a wicked man, as the original Dives was reputed to be, not even a rich man at first, but sturdy, honest and intelligent. He was not in "Torment." He lived in a narrow, sharp-gabled seven-story house in the Ghetto of Frankfort-on-the-Main. On the front of this house in the old days swung a pawnbroker's sign of the green shield. Later it was repainted and in Mayer's time it was a red shield, "zum rothen Schild." And as time went on, all those who lived in the house received the family name of

"Red Shield," in German, "Rothschild." But to Mayer's family alone was granted the control of the Earth.

The story of the rise of the house of Rothschild is romantically interesting, but its details need not concern us here. Mayer Rothschild was the friend of William IX, Landgrave of Hesse Cassel, through whose arrangements the "Hessian" troops entered the British service in the Revolutionary War. Through him soon came the first steps toward Mayer's fortune, for the Landgrave's gold and his own were subsequently loaned out at a profit to suppliant nations. So from being a local pawnbroker, Mayer became the "Uncle" of Kings, and his worth and power were recognized among the financiers of Europe. Nathan Rothschild, his third son, greatest of world financiers, extended his father's methods to other lands. Establishing himself in London, he placed his brothers in Frankfort, Paris, Naples and Vienna. It was his assertion that while one bank in one capital might fail or might be borne down by a national calamity, five banks in five capitals, all working together, could amply guarantee one another.

Nathan Rothschild was with Wellington at Waterloo. A system of swift messengers, horses and carrier pigeons bore secret news from him (Nathan) in the field to the bank in London, in advance of all other returns.

At once its clerks bought up from scared bond-

holders, at a great discount, a large part of the British National debt, which operation established then and there the supremacy of the House of Rothschild.[1] This supremacy it still holds in so far as it may choose to exercise it.

According to authentic records,[2] the Rothschilds made a large broker's profit each of the four times they handled the £80,000,000 of gold which they bought for use in Wellington's campaign:

1. On the sale of the gold to Wellington.
2. On the sale of Wellington's paper.

[1] "That the House of Rothschild with its branches had an open sesame upon the purse-strings of Europe for half a century, is a fact. Nations in need of cash had to apply to the Rothschilds. The Rothschilds didn't loan them the money—they merely looked after the details of the loan, and guaranteed the lender that the interest would not be defaulted. Their agencies everywhere were in touch with investors.

"For their services the Rothschilds asked only a modest fee—a fee so small it was absurd—a sixteenth of one per cent., or something like that. The bonds were issued and offered at par. If they would not sell at par, they were placed on 'Change and sold at what they would bring. What wasn't taken by the public, brought, oh, say around seventy-five. Unkind people say that the Rothschilds beared all bonds which they, themselves, desired to buy. It wasn't their fault if Leopold's credit was bad,—mein Gott im Himmel!

"It is safe to say that there is but one government in the world that has not at some time or another from 1815 to 1870 courted the Rothschilds with intentions." (Elbert Hubbard. *A Visit to the Home of Mayer Anselm Rothschild.*)

[2] Jewish Encyclopedia.

3. On the repurchase of gold from Wellington.

4. On the sale to Portugal of the gold bought back of Wellington.

Later came "bear" operations looking to the purchase of the British bonds, and the crowding out of rivals (Baring: Goldschmid) in subsequent deals of a similar sort. The sum now owned by the House of Rothschild has been estimated at $2,000,000,000 net. The properties controlled are manifold. According to Mr. E. A. Powell, "they hold one hundred millions of dollars of American securities alone. They own large estates in Great Britain, Germany, Austria, and France, cotton factories at Manchester, cutlery establishments at Sheffield, ships on the Clyde, warehouses in London and Liverpool, gardens near Paris, castles on the Rhine and villas on the Riviera, mills along the Maas, gold mines in California, statues in Rome, dahabiyehs on the Nile, plantations in Jamaica, shawls in India, rubies at Teheran, tobacco fields in Virginia, forests in Siberia, towns in Australia. They call themselves merchants as well as bankers, and in the largest sense they are both." And they are pawnbrokers as well, still "in the largest sense."

The House of Rothschild adopted early these rules of management:

1. The different banks should each act in the common interest, regardless of the purposes of the nation in which it might be placed.

2. They should never deal with unsuccessful people.

3. They should not demand excessive profits.

4. They should never "put all their eggs in one basket."

5. They should always be prepared to sell out quickly in case of prospective failure.

6. They should take advantage of all help to be gained from the press.[3]

Banking and "Pawnbroking"

I have spoken of the early loans of the House of Rothschild as "pawnbroking"; I may for a moment digress to insist on a certain distinction between banking and "pawnbroking."

Banking, properly speaking, deals with "going concerns." It is a provision by which free or idle money may be gathered together and converted into active capital. Through the banker, money on deposit is placed in the hands of those who by industrial or commercial enterprise can make it grow.

"Pawnbroking," broadly speaking, deals with failure or waste. Its usual function is to afford means for some act of extravagance, or escape from some complication of past folly or misfortune. The extravagance, folly and misfortune of nations is summed up in war. Pawnbroking

[3] And at one time, a seventh rule existed: They should not lend to Russia, so long as Jews were persecuted in that country.

among nations thus concerns itself mainly with past war or future preparation, in either case withdrawing the revenues concerned from all productive use.

As there are many nations, ruled by statesmen of the day, ready to sacrifice the future for the present, as no protecting deity watches over their financial operations, and as there exists no official check to national debt, it is clear that the business of the international pawnbroker may be a profitable one. At the same time one must know where to stop. To guard over waste and folly is no sinecure. The cream of the business of international pawnbroking has been now skimmed off, later loans often lowering the values of earlier ones, and in general only weak states in desperate luck are eager to pledge their future revenues.

The Unseen Empire of Finance

Up to the middle of the nineteenth century the great House of Rothschild, with its branches in five leading capitals of Europe, held almost a monopoly of national loans and of the control implied by these loans.[4] Later, with the passing of

[4] I am informed by a friend, a leading banker, that the House of Rothschild to-day has largely withdrawn from that type of banking which deals with war and war debts. "They are now rarely at the head of syndicates undertaking national loans, leaving this to the large banking corporations in the various money centers and only occasionally participating in the operations of these syndicates. The house is now known more as a group of capitalists participating in industrial enterprises, discounting

the founders of the house and with the growth of other similar concerns, the leadership of finance becomes more and more impersonal. The individual gives place to a system and the mastery of the Rothschilds is obscured in the rise of "The Unseen Empire of Finance." "The Credit of Europe" and "Das Consortium" are phrases of like significance.

Among the colleagues and rivals of the Rothschilds, their associates in the "Unseen Empire," we may enumerate a few of the most prominent.

In France the House of Péreire is noted for its many enterprises. The "Ligne du Nord," "the Ligne du Sud," the "Compagnie Generale Transatlantique," and the "Crédit Mobilier" are among its creations. The House of Fould was the supporter of Napoleon III. The name of Bischoffheim stands alike for the finance and the philanthropy of France.

In Germany, the name of Bleichröder is forever associated with that of Bismarck and the downfall of the third Napoleon.[5]

paper and profitably investing its surplus funds and those of their old clients, many of whom have in late years drifted to the larger banking operations. Last year the loan to Turkey was negotiated by the Deutsche Bank of Berlin, with Rothschild's and other large German and Austrian banking institutions as participants in the syndicate formed for this loan."

[5] "At the treaty of Versailles in 1871, at the close of the Franco-Prussian War, Bismarck made a demand for Alsace and Lorraine, and for an indemnity of 5,000,000,000 of francs. The French representatives, Thiers and Favre,

The name of Camondo, "Citizen of Venice," stands out as that of the supporter of Turkey, "Uncle" to the successive sultans. Through the House of Camondo, Turkey has acquired the debt of $500,000,000, which has been her salvation as a European power. The "sick man of Europe" was kept alive until his debts should be secured. The Goldschmids in London were already great loan agents in the days of Pitt, worthy rivals of the Rothschilds. The Houses of Goldschmid and Stern in London, united by marriage, have made Portugal their own, besides holding large investments in the bonds of other lands.

In Russia, Baron Horace Günzburg[6] of St.

insisted passionately and even with tears that the indemnity named was utterly impossible; that France was wholly unable to pay it or any sum approaching it; and that if counting it had begun at the birth of Christ, it would not yet be finished. To this Bismarck replied, 'But I have provided for that very difficulty,—I have brought from Berlin a little man who begins counting long before the birth of Christ'; and upon this he introduced the Jewish banker, Bleichröder, who found no difficulty in proving that France was so rich that the indemnity asked was really too small.

"Bismarck further claimed Strassburg and Metz for Germany on the ground that there had been twenty-three unprovoked invasions of Germany from France, in days gone by, and not one, save in retaliation, from Germany into France. Germany was henceforth determined to keep the key to her two western doors in her own hands." (Andrew D. White: *Seven Great Statesmen.*)

[6] "Baron Günzburg lives in Russia, where the name of Hebrew is synonymous with persecution. But when the Minister of Finance wants to raise a loan or seeks financial advice he does not send for the Baron to come

Petersburg has been noted as a leader in finance, equally as the promoter of culture among the Jewish people.

Still more widely known and equally respected is the House of Hirsch [7] in Austria, as famous for

to him. He deems it wiser to go to the Baron, for this shrewd, intolerant old man is one of the Masters and every one in Russia knows it from the moujik to the Czar." (E. A. Powell.)

[7] It is said that the Baron Maurice de Hirsch spent, from time to time, over $100,000,000 in charities largely in aid of the people of his race. At the death of his son he said, "My son I have lost, but not my heir; humanity is my heir." Referring to the emigration of the Jewish people from Russia he declared that "Russia would suffer from the loss of her Jews, until to those who remained she would grant civil rights, or else she would fall, as she deserves, the logical victim of her own intolerance." Baron Hirsch held through life one constant aim, that of turning the Jews from the cities to the farms.

"When Baron Maurice died it is said that he left a fortune estimated at anywhere from two million to five hundred million dollars. He controlled—and his heirs still control—the railway systems of all southeastern Europe. Every egg that is laid in the Balkans for European consumption, every yard of cloth, every rifle, every jack-knife that is sold south of the Danube pays a toll to the fortune of the shrewd old Baron. With the vision of a prophet this man wove webs of railways through those districts in the Balkan peninsula which had theretofore been as inaccessible as if they did not exist, and brought a market and employment to those men in skirts and turbans such as had never before stimulated their industry or rewarded their toil." (E. A. Powell.)

"The general impression of Baron Hirsch was of a man with tremendous will power, the instinctive genius and the iron strength of the predestined financier on the grand scale, the kind of man that creates a world-wide trust in the United States.

its great enterprises as for its gains in the field of pawnbroking.

The House of Cassel is intimately associated with the credit of Europe, and even better known

"After he had made his colossal fortune, Baron Hirsch became a prominent figure in the social life of at least three great countries. He had vast estates in Austria, a palace in Paris, a sporting estate in England. He soon became a man whom it was dangerous to cross.

"The Jockey Club in Paris refused him admittance within its doors. He bought the house over their head. In Austria, the stiff traditions of court and society made his social way difficult, but again he was always able to vindicate his position in a dramatic manner, for the then Prince of Wales was glad to accept the invitation to his great sporting parties.

"In London he had innumerable friends, was a powerful person in court circles, and was everywhere received with open arms. And finally when he died, he was seen to have that intense feeling for humanity which is characteristic of his race, who are at once the most materialistic and the most idealistic race in the world, by leaving gigantic sums for charitable purposes, and, above all, for the transfer of the oppressed of his race who wanted to leave the ghettos of Europe for better chances and more liberal institutions in other lands."—(T. P. O'Conner, *Chicago Tribune*, Jan. 21, 1911.)

Baron de Forest of London, a son of Baron Hirsch, has become conspicuous in another field, as a champion of democracy and as an opponent of war and debt as well as in the overlordship of finance which by inheritance belongs to him. Mr. O'Conner continues:

"Here, the idealism of the father is breaking out, but in an entirely new direction. And this idealism, with its gospel of sympathy, above all, for the toilers and the poor, came from a man who might well have been in the other camp—who, if he had been an ordinary man, would undoubtedly have been in the other camp."

in connection with a great engineering achievement in Egypt.[8]

The Sassoons were the Rothschilds of the Orient, —their influence dominant in finance from Yokohama to Bombay.

The names of Mendelssohn, patron of Humboldt, of Montefiore, owner of Australian debt, are better known for their good deeds than for their part in international finance, large as their investments have been. With the names of Werthheimer of Austria, scholar and "Judenkaiser," and Ralli of Athens, "Lord of the Levant," we complete the visible circuit of the leading names in the mastery of Europe. In the same class belongs the house of J. P. Morgan & Co. in America.

"It must not be imagined," says Mr. Powell, "that these several groups of capitalists are either rivals or competitors. For what would be the use? They have divided the world among them, America alone excepted. As a matter of fact, they are all not only friendly, but are al-

[8] "The land of Egypt was uneasy and unhappy, for the Lord had withheld the rains in Abyssinia and the Nile ran dry and the cotton crops wilted away under the burning African sun. From London came a banker, Cassel by name, and built a great dam across the Nile up near Assuan and the waters poured forth over the parched land even as they had when his ancestor smote the rock, and the blue-shirted fellaheen rose up and called him blessed. They made him a Baronet—whether because he built the dam or rescued the English king from bankruptcy I do not know—and in Egypt he is more powerful than the Khedive and the British consul-general rolled into one." (E. A. Powell.)

lied to one another by so many close ties of blood, marriage and business that it requires but a stretch of the imagination to describe them as a single great group, syndicate, dynasty, empire —The Unseen Empire of Finance.

"To recount the accomplishments of this handful of men is to recount the history of Europe for the last three-quarters of a century. Twice have the Rothschilds saved the Bank of England from suspension; thanks to the ability of old Baron Alphonse, France was enabled to pay the indemnity of five milliards of francs which Germany had imposed in the expectation that it would crush her for a generation. It was on the moneybags of the Foulds and not on the bayonets of his soldiers that Louis Napoleon reached his unstable throne. It was Gerson von Bleichröder who extricated the Prussian Government from its financial difficulties in 1865, played a great part in financing the war of 1870-71, and for his services as financial adviser on the question of the war indemnity had the Iron Cross pinned to his breast at Versailles by the old Emperor William himself. Hirsch opened up the Balkan states to commerce and civilization; Cassel proved himself the latter-day Moses of the Egyptians; Goldschmid, by his gigantic railway schemes, gave Germany a commercial empire in Western Asia."

The Gratitude of Nations

The masters of finance have no need of

blandishments. The coaxing has been all on the other side. The nations who go into debt do so with their eyes open. The indebtedness of Austria to the House of Rothschild brought rank and title to the five brothers at once. That similar gratitude has been felt by other subservient nations is shown by a moment's glance through the biographies of international bankers.[9]

Here we note the names of Baron Nathan Rothschild, the founder of "high finance," Baron Alphonse de Rothschild of Paris, Baron James Rothschild of Paris, Baron Karl Rothschild of Naples, Baron Salomon Rothschild of Vienna, Baron Albert Rothschild of Vienna, Sir Anthony Rothschild of London, Baron Lionel Rothschild of London, Lord Nathan Rothschild of London (the present head of the house), Baron Mayer Rothschild and lastly Baron Willy Rothschild of Frankfort under whose perhaps too conscientious hands the original bank was suspended. Again, Sir Ernest Cassel, Sir Moses Montefiore, Count Abraham Camondo, Baron Sir Edward Albert Sassoon, Baron Maurice de Hirsch, Baron de Forest, Baron Herman Stern, Viscount Stern and Sydney Stern now Baron Wandsworth. Among the Goldschmids, we find Sir Isaac, created Baron de Palmeira by the king of grateful Portugal whose control he shares with his relative, the Viscount Stern. In St. Petersburg, Baron Horace Günzburg and Gabriel Günzburg of Wilna, the

[9] As given in the Jewish Encyclopædia.

latter not a baron but granted as a special favor the title of "honorary and hereditary citizen" of Russia. All these and others bear in their degree testimony to the fact that nations and monarchs in distress are not ungrateful.

"Money Power"

In this discussion one may freely admit the sturdy virtues of the founders of the House of Rothschild, and agree that many of their successors in finance have been high-minded men. Nor need we belittle their achievements in the industrial development of the world, nor their generous part in European philanthropy. But this fact remains: Each of these great fortunes was established on national waste, ordered by the people under the forms of constitutional government and in the interest of war.

It is also of course true that the so-called "Money Power" of the world has had many sources and many manifestations not connected with national debt, To follow these in their various ramifications is no part of the purpose of this book.

The recent situation in regard to international finance is summed up by Mr. E. Alexander Powell [10] in a statement which, however, dramatic, can hardly be called an exaggeration. Mr. Powell says:

"The European peoples are no longer under the

[10] *Saturday Evening Post,* June 19, 1909.

Governments of their respective nations. They have passed under another scepter. They have become the subjects of another Power—a Power unseen but felt in palace as in cottage, in Russia as in Spain, by every parent and child, by every potentate and every laborer. No nation on the European continent has any longer an independence that is more than nominal. The political autonomy of every one of them has been surrendered to the will of a despotism before which every kingdom and empire and republic fawns in the most abject subserviency.

"Would the people of Great Britain have you believe that they are free? Great Britain owes a war debt of more than three billion eight hundred millions of dollars. By it she is bound for all time and eternity. She can never pay the debt and she knows it. She never expects to pay it. Of this incalculable sum every inhabitant of the United Kingdom owes something over eighty dollars. Every child born under the Union Jack between Land's End and John O'Groat's is confronted with a bill for a like sum. Such, then is the thraldom of Great Britain—and 'Britons never shall be slaves.' From being the most independent sovereignty that ever existed in the world she has become but a province of the Unseen Empire.

"Is thrifty, industrious France the exception? The French nation, republic though it is, is shackled hand and foot with the chains of her

overwhelming indebtedness—and the money-lords hold the keys. Germany likewise has fallen before their stealthy advance. The German Empire, notwithstanding the bloody victories by which it came into being, notwithstanding its array of battleships and avalanche of armies, notwithstanding the mighty weapon which Bismarck forged and placed in its hand—the financiers picked their steps in the days of that grim old man—dares not, any more than any other European nation dares not, take any important step—to colonize in China or the Cameroon, to build a warship, to dig a canal, to contract for a new rifle, to sign a treaty—without first making petition to the occult Powers of Money who rule and reign from the sandy isles of Friesland to the charcoal-burners' huts of the Böhmer Wald."

The bankers of to-day hold Europe in peace, because, indeed, they hold Europe! [11]

[11] "In the security necessary for international investments lies the prime hope of the world's peace. . . . The Jews, the original missionary people in whom the families of the Earth were to be blessed, have made the millennium possible by the creation of the Bourse." (Israel Zangwill: *Italian Fantasies,* 1910.)

III. THE UNSEEN EMPIRE OF DEBT

In this chapter is given a brief account of the rise and growth of the national debt in certain of the leading nations. In these matters the fault, where fault there is, must be placed mainly on the shoulders of the borrowers. The great masters of finance have played, in general, a waiting part.

War Debt and Other Debt

The extent of the war debt of the individual nations of the world is shown in Table A, as given in the appendix to this volume. These vast sums, in the aggregate, must be described as war debt, because without war all other debts might have been long since paid. It is quite true that much of this money has been borrowed for investment in railways and other productive utilities. Such has been especially the case in France, where about half the debt has had its apparent origin in expansion of national improvements. A considerable part of the debts of Prussia, Italy and Japan are of this nature, as also most of the debt of Canada, Australia, and New Zealand. In some cases these investments have proved unwise or losing ventures, thus adding to the aggregate of inert debt.

Yet it is unquestionably true that by far the greater part of all this debt had its origin in war,

and that in the last fifty years the aggregate repayments on war debt, together with the interest payments on such debt, have greatly exceeded the total amount of debt of non-military origin. In other words, if it had not been for war and war preparations, the natural income of the nations would have easily paid off all indebtedness, including that borrowed for industrial and commercial expansion.

We may further add that debt, whatever its origin, is still debt and has the same general effect of restricting the financial freedom of nations. Again, in all lands, non-military debt, in common with other indebtedness, tends steadily to increase. The nation which seeks to reserve its available funds for purposes of war becomes thus still further embarrassed. Peace revenues should be adequate for peace purposes. The limit of safe borrowing lies in the ability of the investment made to pay its way—to cover its interest charges. The world over, deferred payments of nations have found in war their origin and their excuse. The national debt of the world, when fully analyzed, is war debt pure and simple.

In any discussion of national debt, we must remember that other branches of government are not sinless. The national interest charges are all superimposed on the charges paid by a large system of local and municipal indebtedness. And to this again is added the burden of debt carried by the individual citizen. Municipal debt has in

every land been a factor in municipal ownership of utilities. It may be wise and legitimate to borrow money in an expanding business when the capital taken yields its proper return in interest. A rapidly growing city can count on the reduction or dilution of its burden by an increasing population. But to borrow money to postpone evil days without adequate means to meet the interest is dangerous and demoralizing for municipalities as for men or nations.

There is much to be said for government ownership of utilities, railroads for example. But for a government to buy without paying, or to borrow the money from the original owners to pay for the roads, is merely to wager that government management can make more out of them than private owners can. It may be justified only when it succeeds. On the whole, most borrowings, state or municipal, fail in this regard.

The experience of France in buying the "Ouest" system of railways on these terms is a case in point. The semi-political management now existing is at a disadvantage in every way, and the system has been a source of increasing loss from the time the government acquired it.

Debt of Great Britain

The bonded debt of Great Britain [1] properly

[1] The account of the growth of debt in Great Britain, France, Germany and the United States is chiefly condensed from the *Credit of Nations,* by Francis W. Hirst: Washington, Senate Document No. 579, 1910. See also the diagram in the Appendix of this volume.

begins with the Revolution of 1689. Before that time the King of England, as was common with monarchs generally, frequently raised sums by the pledge of jewels, the mortgaging of temporary revenues or the extracting of loans (not always repaid) from the Jews. In the war of King William III against James II and the King of France, Parliament was ready to pledge the national resources, as the available taxes were not adequate for the operations of war. By thus forestalling taxes, the foundations of the great national debt were laid. Because of the doubtful credit of Parliament at the time, the loan of £250,000 in 1690 could not be had at less than 8% interest. Numerous other loans followed, for which various sources of revenues were pledged, as customs duties and finally "taxes on bachelors, widows, marriages, births and burials." Even as thus secured, the bonds were sold at a heavy discount. The name of "Dutch Finance" was applied in reproach "by old-fashioned people to the various devices for throwing the burden of expenditure on posterity, that were introduced along with William of Orange and 'the Glorious Revolution.' "

In the reign of Queen Anne, lotteries were added to the sources of revenue and an era of official and private speculation culminated in the "South Sea Bubble."

In the reign of George I, quiet and frugality reduced the debt, which had amounted to over

£12,000,000 in the reign of William III and to £52,000,000 in the time of Queen Anne. Other wars raised the figure to £129,000,000, where it stood at the beginning of the American Revolution in the reign of George III. "By this time it was clear that the national debt was advancing at a dangerously rapid rate and the whole of it had been spent on war." The war with the American colonies was still more disastrous from the point of view of finance. The total debt at the end of the war was nearly £250,000,000, and the value of the "funds" or bonded evidences of debt fell with each increase of borrowed money. At every British defeat they fell lower, and scarcely rose with British victory. "They fell and fell; the capitulation of Lord Cornwallis reduced them to 54, and they could scarcely have gone lower if they were to retain any value at all." The lowest point indicated by Mr. Hirst is 47.

The figures above named indicate only the funded debt, which had risen in 1814 after Napoleon's retirement to Elba to £743,000,000. After Waterloo, the unfunded debt is estimated at £60,000,000 and the funded debt at £826,000,000. This gigantic increase, the beginning of what we may call world bankruptcy, was due to the policy of Pitt and his successors, avowedly throwing on posterity the cost of the downfall of Napoleon.

Retrenchment has at different times made re-

duction in this debt, the most extensive and successful effort covering the period between the years 1887 and 1899. This brought the value of 3% consols[2] up to 110. The Crimean war had added £33,000,000 to the debt. Other dangers to credit have arisen from the Imperial Defense Act of 1889, and still later from the constant rise in military and naval expenses.

The political policy which preceded the Boer War caused the steady fall in value of the consols. With this war came a marked depreciation of credit until 1901, when consols stood at 91¾. The Boer War raised the national debt from £635,000,000 (in 1899) to £798,000,000, and "the national savings of thirty-six years of peace were swept away by national borrowings during three years of war." There is, however, a small but regular decrease of the British National Debt which goes on automatically, through the operation of a national sinking fund.

At the present time English consols stand near their lowest point, 76. The effect of this depreciation in government securities may be illustrated by the history of the Birkbeck Bank in London, here compiled from London newspapers of the time.

This bank was noted as one of the most conservative in England, its reserve being largely in consols and other supposed high-grade, low-interest securities. It went into insolvency be-

[2] See note page 32.

cause of the failing price of these securities. It suspended payment on June 8, 1911, with a deficiency of about four hundred thousand pounds. It had, shortly before, weathered a severe run which resulted in the withdrawal of three millions of pounds, little of which had been returned. After the crash, Bernard Shaw appealed to the government to come forward and make good the four hundred thousand pounds, claiming that "it would have paid us as a nation to subsidize the Birkbeck to four times this sum annually had such help been necessary. Now 112,000 people, who, if they had their houses shaken down by an earthquake would have been rescued by the public as a matter of course, are thrown into the most distressing anxiety and threatened with a calamity that will spread far beyond the direct sufferers." Mr. Shaw therefore begs the government to reopen the doors of the Birkbeck Bank and "to give it hopes of such an annual grant-in-aid as will save it from retreating, like the other banks, into the service of the comparatively rich only. There is no class in which the struggle for existence is so warring and incessant as in the class that banked at the Birkbeck. Are they to be abandoned to a calamity which will do several millions' worth of mischief when the yield of about half a farthing on the income-tax would avert it?" It was said in Parliament by an official that the failure of the bank was due to "Lloyd-George Finance." The Chancellor of the Exchequer re-

torted by showing that it was due to the depreciation in the value of securities and especially of the government securities known as consols.[3] "At the time of the Boer War the reserve was more than ample to cover every scrap of depreciation. At that time our securities began to drop away. In 1899 certain securities stood at 112. They are now worth 85½. Certain others stood at 101 in 1899, and now at 84. A factor in this depreciation is the Colonial Security Act."

In Great Britain and Ireland, the local debts are estimated in 1901 at £376,000,000, in 1906 at £560,000,000. These are growing at a rapid rate, but they differ from most national debts in yielding a fair interest return. Nevertheless, the fact of a rapidly growing municipal indebtedness in every city greatly complicates the problem of national debt and national expenditure.

Debt of France

The national debt of France dates from the French Revolution. But the Kings of France, on the theory of absolute monarchy, had been borrowers for long before. The earliest king to raise loans on security was Francis I. He secured money from the city of Paris, and in return alienated certain royal privileges, which

[3] Rigidly interpreted, the issue of "consols" (that is, "Consolidated Bank Annuities") is not the borrowing of money directly, but through the sale of "perpetual annuities."

became known as "rentes sur l'Hotel de Ville." The royal debt rose in 1561 to 74,000,000 francs, a sum so large that Catherine de Medici thought to reduce it by the seizure of ecclesiastical properties. The clergy evaded this by a new debt, "rentes sur la clergé," accompanied by various exemptions from taxation. Under Henry IV the debt had arisen to about 337,000,000 livres,[4] which Sully reduced by about 100,000,000 livres. Afterwards borrowing became habitual and under Louis XIV, the prince of borrowers, "the finance ministers had a hard task to supply their master's prodigal magnificence." The tontine annuity became a popular method of raising money for the King. This state of affairs was changed by the great economist Colbert who took active measures to reduce the debt, "acting on his belief that rentes were a most useless and expensive possession of a state. He had no belief in the benefits of credit. In his eyes loans were always made by idle capitalists for unproductive purposes and he looked upon the interest charge as an improper burden on the taxes." This sound view had its practical disadvantage, for war was actually on and under these conditions Colbert found it very difficult to raise any money at all. It is the device of the deferred payment which makes modern war preparation, and therefore modern war, possible to any nation.

With the death of Colbert "all sound manage-

[4] Eighty-one livres tournois equals 80 francs.

ment vanished from French Finance." "Aprés nous le déluge" was a current motto. In 1715, at the end of the reign of Louis XIV, the debt stood near 2,000,000,000 francs. Afterwards, following the operations of John Law and his reckless colleagues, it rose to 2,400,000,000 livres. Then followed a period of bankruptcies and forced loans called "reductions and consolidations of debt." With Turgot, under Louis XVI, came a period of retrenchment and wise management, "neither bankruptcy avowed nor masked by forced reductions, nor by increase of duties, nor by borrowing," a policy which, in Hirst's opinion, might have saved the monarchy of France. But Turgot's successors, Necker and Calonne, continued to borrow and confiscations on a large scale took place under the guise of forced loans and loans repaid in paper "assignats."

In 1793, Cambon created a great body of public debt, in which the king's indebtedness took the modern form of a national debt. It had now risen to a capital value of 3,500,000,000 francs, which was cut down by paper money, confiscations and patriotic loans, in 1797, to 800,000,000 francs. Thus was eased the strain on the government at the expense of the people, causing consternation and bankruptcy far and wide.

Under Napoleon, the issues of inconvertible paper money ceased and loans were avoided so

far as possible.[5] Napoleon hated debt, but his "policy of making war pay its way" imposed very heavy annual burdens on France and still heavier ones on the conquered territories. France thus escaped, however, the burden of permanent debt, and her financial condition under Napoleon was "enviable compared with that of the victorious Government of Great Britain." The aggregate increase of French debt in the time of Napoleon was about 140,000,000 francs. But this figure in no degree represents the money cost of Napoleon's wars either to France or to her willing and unwilling allies.

Under Louis Philippe, the debt steadily rose until it reached the sum of 3,540,000,000 francs. The Second Republic was a period of financial disorder, of "forced loans" and converted obligations, leading to a capital debt of 4,620,000,000 francs, or about $920,000,000.

The Second Empire continued the policy of war (and borrowing) in the Crimea, in Mexico and in Italy. It fell in the Franco-Prussian war of 1870-1872, a struggle unprecedented in European history for cost and waste. The final result was a debt of 9,000,000,000 francs. "The enormous stored-up wealth of France and the recuperative powers of the nation were then won-

[5] "You have supplied and paid the army; you have remitted 30,000,000 francs to the state treasury; you have enriched the museum at Paris with 300 objects, the products of 30 centuries." (Napoleon, 1797, at Bassano. *Address to His Soldiers.*)

derfully displayed." The Germany indemnity of 5,000,000,000 francs was promptly paid by two loans through the French house of Rothschild, and made good by the patient industry of the people. Then followed giant loans in the interest of the "great programme" of schemes of public works instituted by de Freycinet. The guarantee of interest on railways, the purchase of the Ouest system, the expansion of the army and navy, the cost of the war and the Commune brought France's debt in 1908 to the unprecedented figure of 30,161,000,000 francs. This is the largest aggregate burden yet borne by any nation, and its interest charges are double those of Great Britain. It is true, however, that the debts of the other Latin nations are higher in proportion to resources than that of France.

The local indebtedness of France has grown in like proportion. It is estimated in 1906 at 4,021,000,000 francs, having risen from about 60,000,000 francs in 1830.[6]

The national taxes of France including the interest on the public debt, amount to very nearly 5,000,000,000 francs yearly. In addition to this and to the local taxes is added the aggravation of the Octroi or local impost on articles entering the limits of town or city.

[6] For a diagram of the growth of the public debt of France, the reader is referred to the Appendix of this volume.

Debt of Germany

Germany, as a consolidated nation, is the youngest of the Great Powers, her territory having been for centuries the battle ground of her neighbors. Since the establishment of the Empire, her bonded indebtedness has risen by leaps and bounds, for her war and peace expenditures have been on a grand scale. In 1877, the debt stood at 72,000,000 marks. It is supposed, however, that a modest sum, commonly stated as 120,000,000 marks, had been held over out of the total amount received from France in 1873 and still rests in the Julius Tower at Spandau. But against even this, treasury notes to the full amount have been issued by the government.[7] The payment of the indemnity was a heavy burden on France, but its effect on Germany was equally burdensome, for it led to an era of speculation and unregulated production, intensifying those evil results which always follow victory in war.

"Norman Angell" (Ralph Lane) says of this experience:[8]

"The decade from 1870-1880 was for France a great recuperative period, and for Germany,

[7] In the United States, the deposits of gold and silver in the treasury against which notes have been issued are not counted as assets of the government, as understood by us. The "Imperial War Treasure" at Spandau is not the property of the Empire, but of the holders of the notes issued against it.

[8] The Great Illusion.

after a boom in 1872, one of great depression. We know that Bismarck's life was clouded by watching what appeared to him an absurd miracle: the regeneration of France after the war taking place more rapidly and more completely than the regeneration in Germany, to such an extent that in introducing his Protectionist Bill in 1879 he declared that Germany was 'slowly bleeding to death,' and that if the present process were continued she would find herself ruined. In the Reichstag, May 2, 1879, Bismarck said:

" 'We see that France manages to support the present difficult business situation of the civilized world better than we do; that her Budget has increased since 1871 by a milliard and a half, and that, thanks not only to loans; we see that she has more resources than Germany, and that, in short, over there they complain less of bad times.'

"And in a speech two years later (Nov. 29, 1881) he returns to the same idea:

" 'It was towards 1877 that I was first struck with the general and growing distress in Germany as compared with France. I saw furnaces banked, the standard of well-being reduced, and the general position of workmen becoming worse, and business as a whole terribly bad.'

"Trade and industry were in a miserable condition. Thousands of workmen were without employment, and in the winter of 1876-7 unemployment took great proportions and the soup-

kitchens and State workshops had to be established.

"Every author who deals with this period seems to tell the same tale. 'If only we could get back to the general position of things before the war,' says Maurice Block in 1879. 'But salaries diminish and prices go up.' [9]

"In examining the effect which must follow the payment of a large sum of money by one country to another, we saw that either goods must be imported by the nation receiving the indemnity to compete with those produced at home; or the gold must be kept at home and prices rise and so hamper exportation; in the case of the country losing the gold, prices must fall and exports rise. That this, in varying degrees, is precisely what did take place after the payment of the indemnity we have ample confirmation. The German economist, Max Wirth (*Geschichte der Handelskrisen*) expresses in 1874 his astonishment at France's financial and industrial recovery: 'The most striking example of the economic force of the country is shown by the exports, which rose immediately after the signature of peace, despite a war which swallowed a hundred thousand lives and more than ten milliards ($2,000,000,000).' A similar conclusion is drawn by Professor Biermer, who indicates that the Protectionist movement in 1879 was in large part due to the

[9] "La Crise Economique," *Revue des Deux Mondes*, March 15, 1879.

result of the payment of the indemnity, a view which is confirmed by Maurice Block, who adds:

"'The five milliards provoked a rapid increase in imports, giving rise to extravagance, and as soon as the effect of the expenditure of the money had passed there was a slackening. Then followed a fall in prices, which has led to an increase in exports, which tendency has continued since.'

"But the temporary stimulus of imports—not the result of an increased capacity for consumption arrived at by better trade, but merely the sheer acquisition of bullion—did grave damage to German industry, as we have seen, and threw thousands of German workmen out of employment, and it was during that decade that Germany suffered the worst financial crisis experienced by any country in Europe."

In 1908, the national debt stood at 4,253,000,000 marks, the lion's share of it having been paid out for the army and a steadily increasing percentage for the navy. To these sums should be added the debts of the individual states, that of Prussia alone having grown at a rate comparable with that of the burden of the Empire. The total debt of the Empire and all the states was, in 1908, 14,362,000,000 marks or about $3,600,000,000, which is not far from the debt of Great Britain. The debt of Prussia arose from 1,965,000,000 marks in 1881, to 7,963,000,000 in 1908. Under the policy of Germany, by

which the expenses of the army in time of peace are met mainly by loans, we may expect the steady increase of the national debt which has been rising of late at the rate of 60 to 100 millions of dollars per year. This is balanced in a degree by the extension of national holdings, especially in the financially profitable state railway system. On the other hand the absorption of German capital in industrial affairs creates temporary embarrassments through the necessity for short-time loans which German banks cannot wholly cover and which are largely drawn from London, Paris and New York. German government bonds range at about 80. As investments, I am told, they are now generally avoided by the banks as undesirable forms of security. The day is past when the war debts of great nations offer especial attractions to those whom in the past they have made "masters of Europe."

The local debt in Germany as in other countries rises steadily with the extension of municipal improvements. The total is given by Mr. Hirst as over 7,400,000,000 marks. It is said that the debts of the German towns combine financial security with a high rate of interest. This is due to their excellent municipal management.

Debt of the United States

In the early days, most of the Colonies had embarrassed their finances by large issues of paper money, at first to meet war emergencies

and afterwards ordinary expenses. These notes fell rapidly in nominal value and they were finally for the most part repudiated.

At the outbreak of the Revolution the same mischievous practice continued on the part of the Continental Congress and of the individual states. The notes lost in value until "not worth a Continental" was a general expression of worthlessness. It is said that Boston was in 1779 "on the verge of starvation: money transactions had nearly ceased and business was done by barter."

In 1787 the Federal Constitution granted Congress "power to borrow money on the credit of the United States," while forbidding individual states to coin money or to emit bills of credit. "The Government of the United States," says Mr. Hirst, "inherited from the states of which it is composed the vicious principle of confounding debt with currency. The crude notion of raising money by debasing the currency whether by adulterating the metal or by issuing an excess of paper has now been relegated to the least civilized and intelligent states of the world. But traditions die hard and the system of propping up credit by currency regulations may still be traced in the laws of the United States." [10]

The national debt once started grew rapidly as in other nations, notwithstanding the influence of wise financiers, notably Albert Gallatin.

In 1816, the bonded debt stood at $127,000,-

[10] Hirst, *The Credit of Nations*, p. 104.

000. In following years of peace this amount was rapidly reduced. In 1835 it stood at about $34,000,000. Each war which followed was accompanied by increase of debt. The Mexican War added $49,000,000 to the sum total which stood in 1851 at $68,000,000. Succeeding governmental extravagance checked its natural reduction so that in 1860 it amounted to $64,-800,000. The Civil War, with its gigantic expenses and depreciated currency, raised it to $2,-773,200,000. The country had been flooded "with short time paper which served the purpose of currency, expanded prices and increased the speculation and extravagance always incidental to war. Temporary obligations falling due in the midst of civil conflict were a source of double vexation to the Treasury Department, which was obliged to conduct a series of refunding operations and at the same time to go into the market to borrow ever increasing sums." [11]

The Confederate states met their expenses almost wholly by treasury notes which served as the currency of the people. These steadily fell in value, until they became worthless and the first issues were repudiated to make way for later ones equally worthless. It was regarded as impossible to carry on war by means of taxes alone. "This," says White, "was a mistake. Except for money borrowed abroad every country pays the cost of a war at the time of the war. All of the

[11] Dewey, *Financial History,* p. 317, as quoted by Hirst.

debts of the confederacy were obliterated at the end of the war. . . . There being nobody else to pay for it, the people of the Confederacy must have paid for it during the time of the war and not a moment later." [12]

After the war, there were many fluctuations in the values of paper money, and several financial panics in which the relation of "greenbacks" and of silver to gold bore a certain part. In 1892 the bonded debt had fallen to $585,000,000. The war with Spain raised it to $1,046,000,000 in 1899. In 1911 it had been reduced to $915,-353,000.

Up to 1900, "it had always been the policy of the government to pay its interest-bearing debts as soon as possible in order to avoid unnecessary burden on the taxpayers." But at present this policy has been more or less cast aside in the interest of military expansion and unwarranted River and Harbor improvements. Old-time economists, occasionally found in Congress, have rarely succeeded in checking the extravagance which the politicians and armanent syndicates demand, and which the people seem able and willing to pay for with borrowed money.[13] "I know but

[12] Horace White, *Money and Banking,* p. 148, as quoted by Hirst.

[13] In connection with Table A in the Appendix, Mr. Arthur W. Allen, author of the table, makes the following explanation of the reasons why the gold and silver certificates are not to be regarded as part of the national debt.

"In the account of the national debt of the United

one way," said Albert Gallatin in 1800, "that a nation has of paying her debts, and that is precisely the same that individuals practice; spend less than you receive, and you may then apply the surplus of your receipts to the payment of your debts."

The local debts of the various states, counties and municipalities, mount to a large figure. In 1902, the sum total is quoted at $1,765,000,000. This with all other items in the record is steadily rising. The aggregate indebtedness of the United States is, however, small in proportion to her resources and their constantly expanding possibilities.

Debt of the Lesser Nations

The bonded debts of the smaller countries of Europe need not be discussed in detail. In gen-

States, given in table A, I do not include $1,461,600,000 in the form of gold and silver certificates. Against these certificates there is held their exact equivalent in gold and silver coin or bullion. This being the case, though these may be technically included in the debt of the United States, they are in reality mere warehouse receipts. From the business point of view they are no more a debt, as a matter of fact, than is a bushel of wheat or a bale of cotton or a piece of furniture, for which a warehouse has issued its receipt. These articles in every case are the property of the person holding the certificate, and the certificate is an evidence of ownership—not a promise to pay. They can by no process be lawfully used for the payment of any other obligation of the warehouse."

An actual obligation, or debt, is involved in the issue of treasury notes or "greenbacks," unsecured promises to pay, to the amount of $346,681,506.

eral, they have followed the lines indicated in the discussion of the debt of France. But the other nations of southern Europe have borrowed even more recklessly than France. The debt of Italy, for example, is nearly half that of France while her resources are only about one-fourth as great. The debt of Spain is nearly one-third that of France, while her wealth is but one-tenth. The debt of Japan, $287,500,000 in 1903 (less than half that before the war with China) since the war with Russia, has risen to about $1,325,000,000. The debt of Persia (about $26,000,000) is due mainly to the benevolent attentions of her neighbors, who, in the words of the *London Times*, "are exercising control over her for her own good." Were she bound hand and foot to the international bankers as Turkey is, she would be regarded as fitted for a career as an independent nation.

The small nations which have given up the struggle and frankly devoted themselves to their own business are more or less definitely free agents. It is true, however, that in most cases only the jealousies of their larger neighbors, the "balance of power," has saved them from absorption. Among these nations relatively free and prosperous,—prosperous because free,—are Switzerland, Denmark, Holland, Belgium, Norway and Sweden. In each of these, the average wealth of the common citizens runs higher in proportion to population than in England and

Germany. This is because their money is largely left where it belongs, in the hands of the people. But in all of these one may trace the influence of the evil example set by their larger neighbors.

Canada owes over $336,000,000, none of it war debt, money invested in "going concerns" of her great railways, the profits of which are largely returned to her people.

New Zealand has little actual war debt. Her various civic experiences she has purchased at a cost of a bonded debt of nearly $346,000,000, a large sum for less than a million people, but their islands are unusually rich in natural resources, and very little of this money, about six per cent only, has gone into the waste of war. This includes the cost of Maori wars and of a small armament.

Australia is a greater nation, less favored by nature, and from the liability to drouth, subject to greater financial risks. She has no war burden save what she has patriotically and needlessly assumed, but she has likewise ventured on costly experiments, the burden of which she has thrown on generations to come.

Relative Cost of War

Meanwhile, during the nineteenth century, the wealth and resources of each of these nations have grown with unexampled rapidity. The increase has been primarily due to mechanical in-

vention, which applied to manufacture and commerce has enormously augmented the effectiveness of the individual man. It has also enabled nations to dispose of their products to better advantage than when all articles produced had to be consumed within a limited district. Through the development of commerce all nations have become neighbors and international trade is now one of the greatest factors in human society. At the same time have come better adjustments in all relations, a better division of labor among men, and in general a condition in which men of all parts of the world may contribute to each other's welfare. The increase in wealth vastly exceeds the increase in national debt, but this fact has been more or less completely neutralized by the gigantic expenditures on war preparation to which nations have been incited by the vastly increased cost of war itself. Enormous as economic growth has been, it is still subject to the check involved in Johnson's law, that with expanding and competing nations, "war shall consume the fruits of progress." The burden of tax and debt bears just as heavily on the toiler to-day as it did a century ago, and this notwithstanding the rapidly growing political importance of the individual. The superior prosperity of certain nations is due to the failure—for various reasons—of expenditure to keep pace with growing resources; in other words, such nations have not been living beyond their means.

"The England of William and Mary," says Professor Johnson, "a great power, conscious of her destiny to command the seas, spent on her army and navy about the same amount of money that Switzerland, protected by treaties and the conflicting interests of the powers, spends on her army to-day. The England of 1775, facing the revolt of her American colonies and confronted by bitter enemies on the Continent, spent on her army and navy a quarter more than Belgium spends to-day on an army that might almost be said to exist for ceremonial purposes alone, since Belgium would be absolutely helpless in case of aggression by a great power.

"Absolutely considered, modern peace is unquestionably vastly more expensive than the wars of an earlier period. True, the wars involved a large destruction of property and loss of life that never figured in the expenditures. But our statistics for times of peace also fail to include the waste of time entailed by universal military service and the waste of ability in organizing so vast an enterprise as an army of peace.

"It is true, of course, that the world to-day is incomparably richer than the world of Pitt or of Marlborough. The per capita burden of modern armaments would have been almost intolerable to the British of the eighteenth century; it would have crushed the taxpayers of France or Germany. It is possible—though not very probable—that the burden of military expendi-

tures signified greater hardship to the average citizen of an eighteenth century state than it signifies to the citizen to-day."

Trusts versus War Debt

The bonded debt of the United States amounts to $915,353,000, a huge sum it is true, but of relatively modest proportions as compared with the debts of Europe. Whether our burden of trusts and privileged interests in America is less weighty than the load of war debt in Europe added to their own burden of privilege (none the less oppressive because of long standing) is a question aside from our discussion. But the war debt of Europe certainly presses there more closely and more persistently, especially on the laboring class, while in America efforts toward the removal of privilege have been more continuous and effective than most similar struggles in Europe. However, as the present generations in both Europe and America have been born to this debt, the burden pressing everywhere and mostly by indirection, the individual man does not feel it acutely. It is like the pressure of the atmosphere, always felt and therefore not recognized. But a release, were it possible, would work enormous social and economic changes in the long run wholly for the better.[14]

Throughout modern history, two of the most effective weapons of tyranny have been the De-

[14] See p. 127, "Economic Difficulties in Disarmament."

ferred Payment and the Indirect Tax. By the latter, the people never know what they pay, by the former all embarrassments are thrown on posterity. The men of to-day are the posterity of yesterday, and they bear on their shoulders all that the nineteenth century has shirked. For debt there have always been a thousand excuses, but there is only one relief. Nations as well as individuals must pay as they go.

The Spendthrift Age

The expanded credit of the world, according to the editor of *Life*, may be likened to "a vast bubble on the surface of which, like inspired insects, we swim and dream our financial dreams. . . . We have long since passed the simple or kindergarten stage of living beyond our incomes. We are now engaged in living beyond the incomes of generations to come."

Let me illustrate by a supposititious example. A nation has an expenditure of $100,000,000 a year. It raises the sum by taxation of some sort and thus lives within its means. But $100,000,000 is the interest on a much larger sum, let us say $2,500,000,000. If instead of paying out a hundred million year by year for expenses, we capitalize it, we may have immediately at hand a sum twenty-five times as great. The interest on this sum is the same as the annual expense account. Let us then borrow $2,500,000,000 on which the interest charges are $100,000,000 a year. But while pay-

ing these charges the nation has the principal to live on for a generation. Half of it will meet current expenses for a dozen years, and the other half is at once available for public purposes, for dockyards, for wharves, for fortresses, for public buildings and above all for the ever growing demands of military conscription and of naval power. Meanwhile the nation is not standing still. In these twelve years the progress of invention and of commerce may have doubled the national income. There is then still another $100,000,000 yearly to be added to the sum available for running expenses. This again can be capitalized, another $2,500,000,000 can be borrowed, not all at once perhaps, but with due regard to the exigencies of banking and the temper of the people. With repeated borrowings the rate of taxation rises. Living on the principal sets a new fashion in expenditure. The same fashion extends throughout the body politic. Individuals, corporations, municipalities all live on their principal.

The purchase of railways and other public utilities by the government tends further to complicate the problems of national debt. It is clear that this system of buying without paying cannot go on indefinitely. The growth of wealth and population cannot keep step with borrowing even though all funds were expended for the actual needs of society. Of late years war preparation has come to take the lion's share of all funds how-

ever gathered, "consuming the fruits of progress." What the end shall be, and by what forces it will be brought about, no one can now say. This is still a very rich world even though insolvent and under control of its creditors. There is a growing unrest among taxpayers. There would be a still greater unrest if posterity could be heard from, for it can only save itself by new inventions and new exploitations or by a frugality of administration of which no nation gives an example to-day.

The Burden of Armament

Nevertheless this burden of past debt, with all its many ramifications and its interest charges, is not the heaviest the nations have placed on themselves. The annual cost of army and navy in the world to-day is about double the sum of interest paid on the bonded debt. This annual sum represents preparation for future war, because in the intricacies of modern warfare "hostilities must be begun" long before the materialization of any enemy. In estimating the annual cost of war, to the original interest charges of upwards of $1,500,000,000 we must add yearly about $2,500,000,000 of actual expenditure for fighters, guns and ships. We must further consider the generous allowance some nations make for pensions. A large and unestimated sum may also be added to the account from loss by military conscription, again not counting the losses to society through

those forms of poverty which have their primal cause of war.[15]

For nearly a hundred years the armament budget of each civilized nation has been increasing with acceleration and in one way or another it finds ample public sanction for all its extravagances. It bears no logical connection to the need of defense or to any real necessity of the nation. Professor Grant Showerman justly observes that "modern peace is only a near relation of war, of a different sex, but of the same blood." It is the dormant side of war. In the words of Bastiat, "War is an ogre that devours as much when he is asleep as when he is awake." It must be noted, however, that in all lands, voices are being raised against these forms of extravagance, though as yet most of them are "crying in the wilderness." In a few nations only, and in those mainly from reasons of tax exhaustion, has there been any attempt to place a limit on such expenditures.

War Expenditure and National Resources

The "endless caravan of ciphers," which expresses the annual interest on debt and the annual cost of military expenditures, represents the in-

[15] A recent study of Dr. S. Dumas of Paris is interesting in this connection. Dr. Dumas shows that in France, Germany, Denmark and Austria, the death rate among the *people at home* is 12 to 25 per cent greater in time of war than in time of peace. The percentage in Austria for example rose from 2.92 to 3.22 in the war of 1866, in France from 3.28 to 4.06 in the war of 1871. (*The Peace Movement,* Berne, March 30, 1912.)

terest charges yearly on a capitalization of $100,000,000,000. This amount, of which the entire earnings are devoted to past and future war, is just a little less than the estimated value of all the property of the United States ($110,000,000,000). It is nearly double the wealth of Great Britain ($58,200,000,000), practically double that of France ($50,800,000,000), more than double that of Germany ($48,000,000,000) and three times that assigned to Russia ($35,000,000,000). It is equivalent to the total capital of eight states like Italy ($13,000,000,000) or ten like Japan (about $10,000,000,000). Almost the equivalent of the total estimated wealth of Holland ($4,500,000,000) is expended every year for military purposes in times of peace by her ambitious and reckless neighbors. The greater wealth of Spain ($5,400,000,000) or Belgium ($6,800,000,000) would last for a year and a half, while that of Portugal ($2,500,000,000) would be consumed in a single year by the militarism of Europe alone.[16]

The entire yearly earnings of the United States in all wages and salaries amount to $15,363,641,778. This would pay the military bill of our country for thirty years, that of the world for nearly four. The world cost of war for a year consumes the wages (the average being $518) of 8,000,000 American workmen, or of 3,300,000 Americans who work for salaries (av-

[16] Bliss—*Encyclopedia of Social Reform,* p. 1279, 1906.

erage being $1,188).[17] A similar comparison for Europe would almost double these proportions. The average wealth per capita of the individual man is set down in Europe as $727, in America as $1,209. The results of the life work of ten average men will pay for about one minute of the military expenditure of the world. Now if all this is truly necessary to the peace and well-being of the world there is not a word to be said against it. But a matter of such gigantic importance should be justified by very careful study and very complete evidence.

If all civilized nations could be placed on a peace footing, it would be a comparatively easy matter to pay off the national debts. The savings thus achieved would make a new world, in which poverty need not exist as a result of external social or economic conditions, but solely from causes inherent in the individual.

War Debt as a Blessing

A hundred years ago it was a favorite saying that "a national debt is a national blessing." In this view of the case lies a double fallacy. On the one hand national borrowing tends constantly to transfer savings from the common man to the money lenders. On the other, the money borrowed is used for temporary and non-productive purposes. When the "navies melt away," the

[17] Estimates based on the Reports of the United States Census Bureau for 1910.

money and the effort expended on them vanish, leaving the nation so much the poorer, as the same money and the same effort might all have been turned into productive channels. If the government presented its bonds gratis to the money lenders, or if bonds or money were stolen outright, the nation as a whole would be none the poorer. It would be a transfer of wealth, whether honestly or not, within the confines of the nation. As matters stand, in the words of Professor Johnson:

"The money raised through the bond issues serves as an instrument for taking men who would otherwise be engaged in productive labor away from their tasks and setting them at the useless occupation of dawdling around the barracks. It takes capital away from manufactures and transportation and embodies it in warships that fifteen years hence will at best serve as targets for still more formidable warships at artillery practice. To ignore the waste of war debt is to elevate military expenditures in the economic sense to the rank of graft and common theft—practices which transfer wealth, but do not destroy it. Militarism steals our wealth and wantonly burns it up or sinks it in a bottomless sea. All that is saved is the financiers' commission and the armourers' profit."

Moreover, the idea that because its bonds are held within its own boundaries, a nation is none the poorer for its debt, involves further fallacy.

There are "empires within empires." For example, though the Rothschilds in London are recorded as English, those in Paris as French, those in Berlin as German, this great house never belonged to any country. It existed and still exists for itself alone. So with all other great syndicates of finance. These groups cannot serve two masters equally. They naturally serve themselves first.

Whether the gold paid out in interest leaves the country or not has no significance, so long as it leaves the purses of the taxpayers. If it leaves the country, something equivalent has been returned. All devices of the spendthrift nation, the indirect tax, the deferred payment, the government monopoly, tend to divert money from the pockets of the common man to the vaults of the financiers. A million little streams of coin unite to form a great river of gold, controlled by the masters of finance. The common man may waste his money. The financier knows how to make it work. We hear of great investments in foreign lands on the part of the chief nations of Europe. These investments do not (outside of France [18] at least) represent the people's savings. They represent primarily usury on war loans, profits on armament and on armament loans, voted by parliaments in excess of fear or excess of "patriotism."

[18] France is a country of small investors. The influence they individually cannot wield is exercised by an oligarchy of great financial establishments, Le Crédit Lyonnais, La Société Génerale, and the like.—(Albert L. Guérard.)

The common man, the farmer and the workman have no stake in these international investments.

The Cost of Living

Throughout the civilized world for the last fifteen years (since 1897) there has been a steady increase in the cost of living, a steady fall in the purchasing power of gold, not compensated by a corresponding increase in wages or salaries. That this is not due to local conditions or local legislation is evident, for it affects all nations about equally. It is felt in the same way in provincial Austria and in provincial Japan, as I have personally observed. To this rise in cost, there are, no doubt, many contributing causes, most of which I need not discuss here. It is, however certain that by far the most important of these arises from the world-wide increase in taxation due to the immense increase of the cost of war and war preparation. Taxes, the world over, bear more and more heavily on the middle men. Their margin of profit must be increased at the expense of others. The producer at one end of the series and the consumer at the other bear the increased burden. The final incidence of taxation falls on that social group which has least power to raise its prices, least force to throw off its burdens on others.

In the thoughtful report of the Massachusetts Commission on the Cost of Living in 1910, the commissioners find the most important element to

be "Militarism, with its incidents of war and waste and its consequences in taxation."

"The three great wars of the last decade and a half—the British-Boer, the Spanish-American, and the Russo-Japanese—took millions of men out of the productive activities of our civilization into the wasteful activities of warfare, diverted the energies of other millions from useful industry in shop and mill and farm, and transferred their skill and labor to the production of war equipment, material, food and supplies for the armies in the field. This diversion of labor and capital from productive industry to waste and destruction, with the accompanying diminution of the necessaries of life and an inability to supply the world's demands, inevitably resulted in an advance of the prices of the commodities of common consumption.

"In addition to these conditions, and incidental to them, the mania for militarism leads nations to plunge into debt in order to create and maintain armies that may never fight and navies that may never fire a hostile shot. This mania has piled up huge financial burdens in England, Germany, France, and other foreign countries, for meeting which the best energies of their statesmen are diverted to devise new methods of taxation. In the United States, as in Europe, the exactions of militarism and its burdens of debt are . . . prime factors in the economic waste that has produced high prices. This commission does

not care to discuss the philosophy of militarism. It simply desires to show that war in all its phases is one of the most serious influences in producing present high prices."

One result of the increasing cost of living and the narrowing margin of the wage worker, the world over, is to raise "Social Unrest" to the danger point. Bread riots, tax riots, virulent strikes, "sabotage," "anti-patriotism" and to a large extent Anarchism and Socialism arise in reaction against the oppression of debt and waste. The final result of the upheaval of social forces no one can prophesy.

In a recent German cartoon, the prime minister and the minister of foreign affairs are pictured as watching, from a balcony, the gathering of a crowd of people in a public square. "Sie schreien Moroko! Moroko!" (They cry Morocco! Morocco!) says the prime minister, whose thoughts are on matters of diplomacy. "No," says the other, "Sie schreien Brod! Brod!" (They cry bread, bread!)

For the thoughts of the people were not on Imperial Extension in Africa, "the Mirage of the Map." They were interested in their own immediate affairs, the prospect of escaping starvation.

"To the vast majority of 250,000,000 people, it does not matter two straws whether Morocco or some vague African swamp near the equator is administered by German, French, Italian or Turkish officials." (Norman Angell.)

IV. THE CONTROL OF NATIONS

The financial affairs of Europe, and these include all questions of war and peace, have passed into the control of the money-lenders.

The control of a railway system does not necessitate ownership but simply the control of its debt and its needs at critical moments. Just so with nations. It is the need for more borrowings that makes the old loans dominant. In proportion to the bulk of their debts and the acute character of their need for money are they subject to dictation. The ordinary creditors or bondholders have little to say. It is the necessity for further loans which places control in the hands of the financier. This may be exercised quietly as befits the business of the banker, but it is none the less potent and real.

"Dollar Diplomacy"

Barbarous nations have no debt. With the extension of enlightenment, one by one they fall under the control of the Unseen Empire. To a mild form of transition has been recently given the name of "Dollar Diplomacy." The essence of "Dollar Diplomacy" is the conduct of the foreign affairs of a nation in such a way as to favor the financial operations of its bankers.

In general, an international banking company may have three functions. (1) ordinary banking,

that is, furnishing free money to "going concerns" to be used in profitable enterprise. This requires no assistance from the Government and the many thousands of institutions engaged in it ask only justice. (2) The control and promotion of business enterprises. In so far as these are legal, and their activities extend beyond national boundaries, they have the right to claim the assistance of the Consular Service in the same degree with any other industrial undertaking. Large enterprises have no greater right than small ones to governmental assistance. (3) "Pawnbroking"[1] on a large scale, that is, the placing of national loans.

To assist in the adjustment of foreign loans is no recognized part of the administration of a republic. It is claimed in behalf of the new "Dollar Diplomacy" that it assists in bringing to debtor nations "the blessings of peace, prosperity and civilization." But this phrase with its associate, "Spheres of Influence," covers a type of operations from which our nation has, until lately at least, as a matter of principle stood aloof.

"Spheres of Influence;" (Persia)

The method of working up foreign loans known as "Dollar Diplomacy" is relatively simple and modest, depending not on force but on friendly advice and the suasion of opportunity. The conventional European method of arranging such

[1] See page 13, "Banking and 'Pawnbroking'."

affairs is by means of the extension of so-called "Spheres of Influence." The details of an operation of this kind are prophetically given by a Persian journal (*Hablu'l-Matin*, September, 1907 [2]) four years in advance of the actual occurrence.

Referring to the petty revolt of Salaru'd Dawla, a futile aspirant to the throne of Persia, the *Matin* discusses the supposititious comments of the *Times* and the *Standard* on the necessity as expressed by them, that Russia and England should coöperate to destroy the Pretender and to bring peace and prosperity to Persia.

"Since the disturbed districts were nearer to Russian territory, troops should be brought from Russia, but that the expenses of the expedition would be equally borne by the two Powers. There would be a vote in Parliament, followed by a correspondence with St. Petersburg. The troops would arrive. The Salaru would be taken prisoner. The troops would remain for some time in the district, detained by 'restoring order.' The expenses of all these proceedings would be calculated, and would be found to amount to about five million pounds sterling, which would have to be recovered from the Persian treasury (just as in China they demanded the expenses incurred in sending troops and also a fine). Well, the Persian treasury would practically be unable to pay this sum, so it would be found necessary that an official should be appointed on behalf of each of the

[2] As quoted by Browne, *The Persian Revolution*, 1910, p. 181.

two Powers to increase the revenues and supervise expenditure, and that the Russian official should watch over the North of Persia, and the English official over the South. After a while each would report to his Government to the effect that, having in view the destitution of Persia, the revenue could not be increased, and that the payment of this sum was impossible; and that in some way or other, the condition of Persia must be improved, so that her revenues might be enlarged. Persia, they would add, only needed certain necessary reforms to become more prosperous. Roads and means of communication should be improved; railways were needed in certain places; dams must be constructed to increase agriculture; the erection of factories was greatly needed. Finally, after prolonged discussions, it would be agreed that a sum of at least twenty million pounds sterling must be lent conjointly by the two Powers, of which sum part should be spent on irrigation, part on roads, part on mines, part for administrative purposes, and so on, and that with the remaining two millions a Bank should be established. The Persian Government would, under the circumstances, be compelled to submit to these conditions and sign the required bond, comforted by the assurance that the conditions were very light and easy, and comprised no more than ten clauses, that the loan would cause Persia to blossom like a garden of roses; and that her revenues would increase tenfold!

"The terms of the new loan would comprise at least two clauses, the ratification of which would close forever the charter of our independence. . . .

"One of these conditions would be that the offi-

cials in control of all the financial departments of the Government must be appointed by the two Powers, and that they in turn must appoint the minor officials. These would assume control over all the frontier districts, possibly over the interior also, and would impose a complete check on the functions of the home officials. We need not remind our readers how much one single Belgian official, on obtaining complete control of the Persian Customs, increased the influence of foreigners, or how he caused Persian employees to be ignored and humiliated, and this notwithstanding the fact that we were able to dismiss him at any moment we pleased, and that he had no sort of independent authority in our country. Whoever has examined the new Customs Tariff (drawn up by him) knows of what treason to our country this ungrateful wretch was guilty, how he increased Russian influence, and how he behaved toward the Persians. Hence it will be evident how the Russian and English officials, enjoying complete authority and unrestricted power, and representing Persia's creditors are likely to conduct themselves. . . . Moreover, since the borrowed capital will be under their own control, they will employ it in such a way that most of it will revert to their own countries.

"Another condition will be that all concessions granted by Persia, whether internal or external, must be approved, sanctioned and ratified by the two Powers. Accordingly a Persian subject will neither be able to obtain a concession for the manufacture of paper nor to set up a factory, since the granting of all such concessions will be in the hands of the abovementioned functionaries, who, in one way or another, will prefer their compatriots to us, so that all com-

mercial undertakings will pass into the hands of Russian and English merchants.

"Another condition will be that these officials shall receive their salaries from Persia, who will recognize their claims and rights, and, in return for their services to their Governments, they will receive a yearly payment in cash from the Persian treasury. . . .

"Another condition will be that all the material wealth of Persia must be handed over to guarantee the debt. This stipulation will include the mines, coasts, customs, ports, telegraphs and revenues, and since the debt must be paid out of these sources of wealth, and the Persians do not know how to manage them or put them to profitable use, therefore officials appointed by the two Powers must superintend them and take such steps as may be required to render them productive. The Persian Ministers must therefore be subordinated to these foreign officials, whose commands and prohibitions they will not have the slightest right to disregard."

The late Amir of Afghanistan, Abdur Rahman, is quoted as saying that "Russia is like the elephant who examines a spot thoroughly before he places his foot down upon it and when once he places his weight there, there is no going back and no taking another step in a hurry until he has put his whole weight on the first foot and smashed everything that lies under it."

In general the course of military pacification lies along the lines above indicated. The presence of alien soldiers breeds chronic disorder. To re-

lieve this requires more troops and more money and the end of it all is the submergence by debt of the "pacified" nation.

The present condition of Persia is thus summed up in the following paragraph:

"Persia's unexpectedly setting out to pay off the mortgage and rebuild her house so alarmed the covetous mortgagees that they did not hesitate at highway robbery to keep the redemption money from being paid." (*The Nation*, N. Y., Jan. 25, 1911.)

"The allies are demanding heavy money 'indemnities' which they will take good care to make large enough to preclude the possibility of their payment without recourse to a large foreign loan. This in turn will be furnished the unfortunate Persians only on such conditions as will effectually mortgage for years to come as many of their resources as can be found not already assigned to foreign syndicates. The Powers will do their best to leave no money for future Shusters to collect. The Persians, poor wretches, cannot be allowed to govern themselves well or ill; they are misguided enough to live in a country possessed of strategical importance, and they must take the consequences." [3]

"Continuity of Foreign Policy"

It is understood that the recent policy of Great

[3] Professor Roland G. Usher—"The Significance of the Persian Question"—*Atlantic Monthly*, March, 1912.

Britain, as exemplified in various episodes in Asia and Africa, characterized by alternate cringing and bluster, by scrupulous justice and studied injustice, by artificial "ententes" and artificial enmities, is dominated by the great "law of continuity of foreign policy." In other words a great and enlightened nation is forced to live down to its worst lapses in international courtesy and moral dignity. The ingenious Mr. Chesterton remarks: "There is very little doubt as to our national vice. An acute observer of Russia says that nation lacks the cement of hypocrisy. We do not."

Money and the Morocco Affair

As already suggested, the influence of the "Unseen Empire" now makes for peace and for solvency. It controls and creates the credit of Europe. It will not connive at its own injury. It is said that the Bank of England has a "psychological reserve," which guarantees its solvency in every crisis. The pride of England is involved in its maintenance. To default its pledges would mean the collapse of credit. The great bankers hold similar relations to the Credit of Europe. War is a disease which spreads to every function of the nation. While the bankers might make large temporary gains through reckless discounts, in the long run they would be the losers through the disturbances of international war. They guard the solvency of the world. An il-

lustration of their influence is seen in the late Morocco affair.

The following account of the Morocco transactions is condensed and slightly modified from an article by Francis Delaisi.[4]

"At the end of August, 1911, the sharp crisis between England and Germany was over. The understanding between Paris and London made war impossible. There was no other course but to make an amiable settlement as smoothly as possible. The French demand was for (1) a political protectorate over Morocco, that is, the right to have her soldiers killed there and to spend millions in order to maintain regular administration, and (2) the monopoly of loans for the public works of Maghreb. This would give the French business men the compensation for these costs.

"The German offer was that of economic equality; whereby the Germans would participate equally in all gains, leaving France the glory of possession and the expense. Finally, in exchange for this, they asked all of French Gabon and the middle Congo. According to the familiar illustration of Frederick II, they would squeeze the orange, taking the juice, leaving the rind to France. . . .

"Germany, thanks to her marvelous commercial development, is growing rapidly rich. Though not poor, she has not yet the great capitalism of the old nations like England and France. In her industries she needs large sums for short periods, and for these she goes to the most abundant market, that of Paris. . . .

[4] "Financiers contre Diplomats," *Echo de l'Ouest.*

"The French Banks recognize two types of international loan; consolidated loans on long periods and advances at higher rates on short terms ("titres en pension").

"With a loan of 25, 30 or 50 years the creditor can in no case try to collect before the agreed date. Thus, for example, if it pleased our great friend the Czar, the morning after one of the loans of 1200 millions of francs which he makes from us regularly every four years, to abandon us and to attach himself to Germany, we should have nothing to say. He could, in need, declare war, and use to fight us our own millions. If we wished to constrain him by force of arms to return our money, we should only ruin our security. Each one of our victories would cut down the value of our bond.

"The German demand for economic reasons is for short loans, to push on the work of manufacture and commerce. Ordinarily these loans are granted and renewed as needed. But if trouble arises between the republic and the Kaiser our financiers have only to give the sign and our money returns to our own treasure vaults. Such an action would have grave consequences to Germany. Let us suppose that the French bankers recall suddenly the 700 or 800 millions advanced to the German Bank. The rate of discount would rise at once from 4 per cent to 5, 6 or even 7 per cent. With this, current industrial profits would be swept away.

"This is a powerful weapon which M. Dorizon bore with him on the tenth of August, 1911, when he carried in his pockets a counter-project to that of M. Kiderlen-Waechter. If the imperial chancellor had held out, the banker could let loose on Germany a

fearful crisis in finance. The machinery of the "titres en pension," the short time loan, which has been figured as a sort of betrayal of our own interests, is thus transformed into a terrible weapon as against our adversaries.

"We shall see how our financiers have known how to use it, and how by its use, they have conquered the arrogant diplomacy of our neighbors."

Their own interests not being in jeopardy we may naturally expect the money-lenders to be indifferent to questions of international morals, and ready to finance either side alike. The safe limit of international loans being reached, as in the Russo-Japanese war, the dawn of peace is not far distant, however widely variant the claims of the contending parties.

Money and the Tripoli Affair

In the present war between Turkey and Italy, it is recognized that both nations have practically reached the limit of tax exhaustion. It is claimed that the "Unseen Umpire" has declined to make any further loans to Italy. The last loan granted to Turkey involved a heavy bonus, something like 17% in advance. It is further understood that in the diplomacy of Europe, Italy has leave to take her share in Northern Africa at her convenience. Again, it is believed that Tripoli would be acceptable as a basis of further loans. Presumably, in the end, Italy will receive Tripoli, paying a certain sum in exchange to the creditors

of Turkey. All this is hypothetical and uncertain, but it forms a working theory of the reasons why this war has been permitted by those who are in position to prevent it. It is claimed that the present desultory warfare is being carried on by means of the earnings of Italian emigrants, deposited in the Banca di Italia.

Cost of a Small Modern War

The question as to whether it will all pay seems not to have had due consideration from the statesmen of Italy. The "mirage of the map" is in this region especially elusive. While actively prosecuted, the war is estimated to have cost Italy from four hundred thousand to a million dollars per day. These sums may serve to expel the Turkish garrisons from the coast cities of Tripoli, but the conquest of the Arab tribes of the desert is another matter. Authorities disagree as to the amount of Tripoli's foreign trade. Taking the highest estimate as to its exports and admitting a generous per cent. of this as profit, Italy's gain from a year's peaceful occupation of Tripoli under present economic conditions would scarcely pay for a day of war. And even such pittance would go, not to Italy, but to those men, Turks, Jews, Italians and French, who might chance to control the export trade. Doubtless under better government trade would increase. Possibly under favorable conditions the profits on a year's trade might be made to cover a whole month's

military expenses. But all Italy will get is the "mirage of the map" and even this seems to waver a bit. Her previous melancholy experience in the invasion of Abyssinia will be repeated in Tripoli, and this whether at the end she finds herself victorious or not. Whatever the moral questions involved, it is certainly bad economics for a nation to indulge in a raid the cost of which far exceeds the booty.

Cost of Armageddon

If desultory warfare between a second-rate power (really become third-rate through burden of debt) and a third-rate power (now become fourth-rate) is so expensive, what of "God's Test" of the nations lightly prophesied by certain militarists? [5]

[5] "At the present epoch in the world's history Mr. Carnegie might just as well have created a trust for the abolition of death. . . .

"The real Court, the only Court in which this case (Japanese immigration) can and will be tried is the Court of God, which is War. The Twentieth Century will see that trial, and in the issue, which may be long in the balance, whichever people shall have in it the greater soul of righteousness will be the victor. . . .

"Never was national and racial feeling stronger on earth than now. Never was the preparation of war so tremendous and so sustained. Never was striking power so swift and so terribly formidable. What is manifest now is that the Anglo-Saxon world, with all its appurtenant provinces and states, is in the most direct danger of overthrow final and complete, owing to the decay of its military virtue and of the noble qualities upon which all military virtue is built. . . . The voice of every God-

I quote below from a Paris correspondent of the American Associated Press (*San Francisco Chronicle*, January 2, 1912). Whether the details are wholly correct or not is a matter of minor importance.

"Europe is preparing for war. It has battalions, ships, howitzers, steel-clad automobiles, aeroplanes for dropping bombs and bombs for making aeroplanes drop; swords to cut you to pieces and surgeons to sew you up again. In fact, the war machine is faultless. But who has got the fuel to set it working? Who will plump down the cash for war between England and Germany, and for the resulting Armageddon between the Triple Alliance and the Triple Entente?"

"Is Herr Bebel right when he says the coming Franco-German war will cost $750,000,000 a month or $9,000,000,000 a year? If England, Austria, Italy and Russia join in, may it be assumed that the war will cost in proportion—that is, $27,000,000,000 for the first year, not to mention the second? And who will pay the $27,000,000,000?

"Europe's brilliant statesmen waste no time on this

fearing man should be raised . . . to revive that dying military spirit which God gave to our race that it might accomplish His will on earth. . . .

"The Shadow of Conflict and of displacement greater than any which mankind has known since Attila and his Huns were stayed at Chalons is visibly impending over the world. Almost can the ear of imagination hear the gathering of the legions for the fiery trial of peoples, a sound vast as the trumpet of the Lord of Hosts."—(Harold F. Wyatt, "God's Test by War"; *Nineteenth Century*, April, 1911.)

insignificant problem. They are far too busy brewing those glorious wars—a business easier far than carrying them gloriously on. But frivolous, unpolitical people—financiers, economists, statisticians, traders—would like to know who will pay?

"First, they ask themselves what will a war cost? No man knows. Herr Bebel's estimate is guesswork and probably exaggeration. Italy's little war with Turkey is costing $400,000 a day, allowing for a mere 60,000 fighting men. Professor Viviani of Rome says that if only 80,000 men are sent it will cost 1,000,000,000 lire or $200,000,000. Since this estimate was made it appears Italy will have to send 120,000 men; and if she marches into the interior, still more. The Boer war, in which England's army averaged 200,000, cost $1,055,000,000 in two and a half years. The Franco-German war, which lasted only 190 days, cost Germany $450,000,000 for an average fighting force of 1,250,000 men. The war in the Far East cost Japan $650,000,000 and Russia $723,000,000, not counting lost ships. Only toward the end had either side anything like a million men in the field.

"The coming Armageddon will cost infinitely more than these, because the armies in the field will be bigger and because food, clothes, arms and ammunition every year cost more, and more of them will be wasted. Moderate estimates are that a war lasting a year will cost France, Germany and England each about $2,300,000,000. Russia's yearly bill would be $2,800,000,000 and Italy's and Austria's about $1,400,000,000.

"To meet such demands and to prevent universal panic no single European state has made proper pro-

vision. Europe's war chests consist mainly of Europe's capacity for borrowing. Germany alone has an 'Imperial war treasure,' which has captivated the European imagination, but in reality is ridiculously small. This is the Reichskriegsschatz, which lies in the Julius tower of Spandau citadel, guarded by triple steel doors, 'simultaneous keys' which are held by different individuals, and a dozen sentries. It amounts to a beggarly $30,000,000, all in coined ten and twenty mark pieces, kept in boxes, each of which contains $25,000. Against it are issued $30,000,000 in imperial treasury notes, so that no interest is lost.

"Germany's real war asset is her state railroad system. No country has such a splendid asset. The Prussian railroads, which cost $2,250,000,000, are now valued at $4,500,000,000. They pay an average of 7 per cent on the invested capital. The result is that only $1,500,000,000 railroad debt is outstanding, so that the state owns railroad property which has a sale or mortgage value of $3,000,000,000 clear of debt. The South German state railroads are not so remunerative, but they could be mortgaged for a considerable sum, and optimists have declared that on her state property Germany, if need be, could secure loans totalling approximately $4,300,000,000.

"Russia is the only other state that can talk of realizable assets in terms of hundreds of millions of dollars. First comes the $495,000,000 gold reserve which lies in the cellars of the Bank of State. Against it are issued $610,000,000 in credit notes, and about $400,000,000 more in credit notes could be issued in war time without exceeding the legal limit. That is one asset. The 29,000 miles of state rail-

ways cannot be counted an asset because they show an annual deficit of $10,000,000. The greatest Russian asset is the 'State Vodka Monopoly,' which was started as an experiment by Witte in 1895, and is now in force all over the empire. Under it the state is the sole manufacturer, wholesale and retail liquor dealer. The monopoly has tended finally to demoralize the muzhik, but as a financial measure, it has been a brilliant success. It yields an annual profit of about $225,000,000 and has a capital sale value of about $4,000,000,000.

"At first sight, England and France, Europe's richest two states, are far worse off than relatively poor Germany and very poor Russia. They have practically no assets. France has only the tobacco, match and powder monopolies, and England has her posts, but neither can produce an asset like the Prussian state railroads and the Russian drink monopoly. Yet the national credit of England and France is more valuable than these two put together. Considering the far lower interest, English Government stocks are quoted much higher than German. England's credit, even during war, is better than Germany's during peace. In March, 1900, England issued at 98½ a 2¾ per cent Boer war loan of $150,000,000. It was subscribed eleven times over. In the same month Bavaria appealed for a mere $10,500,000. For this she had to consent to interest at 3½ per cent and an issue price of 93½. The late Sir Robert Giffen said that on emergency England could appeal for $500,000,000 at 8 in the morning and have it at 8 o'clock at night. The credit of England and France is based on their national wealth and accumulations of capital.

"When war breaks out this laying hands on savings will be the immediate unromantic occupation of the brilliant statesmen who have brought it about. The first steps will be to transform the state banks into war-banks, and to proclaim *le cours forcé*—that is, that Government issues must be accepted at their nominal values. In Germany in time of peace, the issues of the 'Reichsbank' may be rejected and gold demanded. A second war measure will be to suspend the periodical publication of the level of the state banks' gold stock. This also was done by France in 1870. The economist Stroell holds that Governments will further finance war by issuing 'forced paper,' without any gold backing, thus keeping their gold reserves intact. The only security for such paper would be the Government's credit. But England and France are ahead in both the conditions of their stock exchanges and of their savings banks. The German savings banks are weak because their money is largely invested on mortgage and cannot be quickly realized in case of panic.

"Looked at from the money point of view, the European Armageddon is not at all the obvious, simple thing which people imagine. It is a complex, menacing question, full of disagreeable surprises and treacherous pitfalls, and it promises the ruin of at least some, if not all, the states which rush into it lightheartedly. But Europe's brilliant diplomatists do not worry themselves about such contingencies. What with diplomatists, statesmen, shipbuilders and gun makers—not to mention The Hague arbitration judges and the bloody-minded peace societies—all trying to bring about a war, a war is some day inevitable. But who will pay the piper?"

Nevertheless, however big the war cloud, the storm will pass over. We may be sure, to use Mr. Powell's words, that "there will be no war until the real rulers of Europe from their strongholds in Lombard Street and the Rue Quatre-Septembre, in the Burgstrasse and the Schottenring themselves tell the fighters to fight."

Interest of "High Finance"

In the *London Nation* (January 21, 1912) occurs the following:

"Fortunately it is to the interest of *la haute finance* that France and Germany should live in peace. Indeed the last thing that the financiers desire is a European war. The advantages of adventures in Asia or Africa may lead them to endanger the peace of Europe, but they always think that they can prevent the danger of war from becoming a reality and, in fact, they did so in the recent crisis. For the present they will be content, no doubt, with the advantages already secured, and we are not likely to have a repetition of the Moroccan venture."

The present relation of international finance to international war is thus convincingly presented by the *New York Tribune:*

"On more than one occasion in recent years we have been able to discern unmistakable indications of the sway of . . . 'the unseen empire of finance' in international affairs, and particularly in the avert-

ing of wars and in the promotion of friendly relations among the powers.

"From one theoretical point of view that is, of course, to be much deplored and disapproved. The nominal rulers of a land should be also its actual rulers. The exercise of control by an irresponsible 'power behind the throne' is too susceptible of abuse to be approved. Yet in practice, by the very showing of its critics, this system has had certain good results. It has consistently made for peace. That is indisputable. Nobody has ever heard a hint that the Rothschilds were trying to bring on a war. Their influence has always been for peace, for the very practical reason that in peace lie their security and their profits. There is abundant reason for the belief that on several occasions this money power has been the chief barrier between Europe and a devastating war. To that extent, therefore, the rule of this 'unseen empire' must be regarded with approval.

"There is, however, a paradox involved in the case, in the circumstance that the moneys lent by these capitalists to the governments are used largely for military purposes. They are, in fact, potential war loans, made by those who desire the keeping of the peace. Capitalists do not hesitate to advance money for naval construction or for army enlargement. Indeed, there have at times been suspicions that they were using their influence in favor of the making of large appropriations for such purposes, which would necessitate the issuing of loans. And then, after the loans are made, they exert their influence to prevent the fulfilment of their intended uses. It is an interesting subject of speculation whether the influence of the provisions which are made by the loans, or of the

makers of the loans, will in the end prove the more powerful."

Norman Angell[6] shows the growing interdependence of nations to be such that even a policy like Bismarck's could not bring on war between Germany and France.

"Where Germany could have 'bled France white' with a certain satisfaction without any immediate damage being involved to his own country, Herr von Kiderlen-Wächter (I am told to his surprise), learned that to 'bleed white' this relatively feeble France of 1911, would be to plunge this great and powerful Germany into the direst economic distress. . . . The very threat of it was enough. . . . I could trace for you a really humorous chart establishing the direct relationship between the vigor of German foreign policy and the figures of German commercial insolvency."

The experience of the world shows that no nation can have at once a great army, a great navy, a great debt, a vigorous foreign policy and the prosperity of its citizens. Two of these it may have and sometimes three, but never all five at once.

In another article,[7] the writer above quoted refers to the solidarity of industrial and commercial interests as illustrated by the international rela-

[6] *Public Opinion,* February 2, 1912.
[7] *Public Opinion,* January 26, 1912.

tions of the bankers of the world. He asserts that "banking all unconsciously is bringing peace to the world by making nations financially interdependent: that the material side of wealth as represented by banking makes for and not against a better human society and the higher welfare of the race; that the world's granary will have enough to spare for all mankind when men and women work together for mutual good."

War and Modern Banking

Some time since Lord Rosebery, noting the movement in society from personal and arbitrary rule, said that "royalty is no longer a political but a social function." A change similar in character has modified the nature of banking. Banking is becoming not a political but a social function. Many of the misfortunes of Europe have been ascribed to the early alliances between politics and banking.[8] That alliance is being dissolved. Banking, as well as government, is under the growing influence of democracy and cosmopolitanism. While "pawnbroking" on a large scale still concerns itself with affairs of derelict, inchoate or helpless nations, and is therefore still

[8] For the most part "it is not the banker who wants to interfere with politics. It is the politician who wants to interfere with banking. All that the banker generally asks of politics is to be left alone." . . . "Separate even the most powerful of these 'sinister figures' (of the international financier) from the interests or the economic forces of which at the moment he may be the representative and he is reduced to practical impotence." (Norman Angell.)

allied with politics, the spread of common banking causes it in a way to become the nervous system of society, its protection against economic harm. Norman Angell [9] has clearly shown that in public affairs the banker is the first to feel the symptoms of disorder. War is sickness in the economic as well as in the social organism, and the influence of sound banking is everywhere and automatically opposed to it. To the modern banker, as to Benjamin Franklin, "there never was a good war nor a bad peace." "Destruction of capital, in the nature of things, never appeals to a banker." [10]

The influence of finance now lies, not in spectacular provision of great loans, but in "the unnoticed impersonal forces which the ordinary weekday humdrum work of banking has called into existence, the cumulative outcome of those numberless every-day operations that take place almost completely outside the control of Governments and of financiers, often unknown to them, often in

[9] "If we can imagine an animal that did not feel hunger or cold or the bad taste of poisons, it would very soon be wiped out. It has nothing to guide it in its adaptation to its environment, none of the acute promptings which result in placing it in the most favorable conditions to allow the unconscious and uncontrollable processes to be carried on favorably. Now, banking is performing, among other functions, this immense service to the economic and social organism; it is providing it with sensory nerves by which damage to any part or to any function can be felt, and thanks to such feeling, avoided." *(Influence of Banking upon International Relations:* Norman Angell, 1912.)

[10] Isaac N. Seligman.

spite of them, representing forces far too strong and far too elusive for such control, so much a part of the warp and woof of the ordinary life of the world that they are rapidly and surely weaving society into one indissoluble whole." [11]

According to Mr. Isaac N. Seligman,[12] "the Russo-Japanese conflict of 1904-5 was halted in large measure because bankers refused to float further loans at anything like ordinary terms after probably $1,500,000,000 had been wasted in that contest. The interests of commerce have thus put into the hands of international bankers a powerful weapon to use in the interests of conciliation and peace." Mr. James Speyer has proposed that this weapon be formally adopted and consistently used against those nations who may try to disturb the peace of the world by making war, as all war must be made, on borrowed money.

"If by withholding the 'sinews of war' the banker can force a nation to desist from war, he conserves to its people the enormous sums which would have been wasted" (Seligman).

Banking is the democratic phase of what under autocratic rule is pawnbroking. In common with other influences of democracy banking makes for peace. It is a function of peaceful industry as pawnbroking is of war. "A king without money is like a spear without a head."

11 Norman Angell.

12 International Banking and International Unity Conciliation Society, No. 50, 1912.

V. SEA POWER

In this chapter is given an account of "Sea Power" in its relation to national affairs. It is the most costly element in the business of government. The very name has in itself a magic which unlocks the strong boxes of the world.

Armament Competition

The present status of "Sea Power" is thus graphically summed up [1] by Professor William I. Hull:

"Each nation argues that it can protect its own peace only or best by increasing its armaments; and accordingly each of the circle of forty-odd nations is feverishly engaged in the edifying task of out-arming, to the best of its abilities, each of the others. Great Britain, assured that her own peace and the peace of the world is threatened by the menace of the Teuton, lays down the keels of two dreadnaughts; Germany, perceiving the portentous shadow of the advancing Briton, lays down the keels of two super-dreadnaughts. This gives to Great Britain a realizing sense of the inadequacy of her twenty-eight miles of warships, and in order to avoid another panic such as the German super-dreadnaughts caused her, she increases her per capita naval expenditures within ten years by 43 per cent.; Germany 'goes her several better,' and increases her per capita naval expenditures

[1] The World's Two Vicious Circles: *Advocate of Peace*, December, 1911.

within ten years by 119 per cent. Some American 'statesmen dream of the menace of Germany in South America or Japan upon the Pacific, and the United States, frightened by such nightmares, increases its per capita naval expenditures within ten years by 64 per cent. Japan, emulating its Occidental school teachers in their fallacious logic, and postulating the impossibility of having too much of a good thing, increases its per capita naval expenditures within ten years by 137 per cent. The other four 'great Powers,' caught up in the same frenzy of fallacious logic and futile competition, convert their national resources into dreadnaughts, and all eight together expend upon their navies within ten years the almost unimaginable sum of $5,600,000,000![2]

"Thus the vicious circle is formed; the small members of the family of nations join in the frenzied competition for big, bigger, biggest armaments, and, like the serpents of an African jungle, each struggles and strains to raise its head high above the others. But how much like a will-o'-the-wisp is the peace based upon such a chain of reasoning is shown by the continually precarious and fragile character of that peace, while above it broods the shadow of a menacing Armageddon unrivalled in history or prophecy."

Purposes of Sea Power

The end of almost half the military expenditures of the world is to develop "sea power." For this, nearly every sea-faring nation, great or small, spends more than the cost of all its civil

[2] Figures from the British Admiralty's "White Paper" of October, 1911.

equipment, lavish as this sometimes is. And yet the function of "sea power" is most vaguely understood by the people who pay for it. Seven reasons are variously given for its maintenance:

(1) National defense, (2) maintenance of peace, (3) protection of commerce from pirates and belligerents, (4) circumventing of other nations, (5) protection or subjugation of alien dependencies, (6) ceremonial purposes, and (7) "Control of the Sea."

(1) So far as the United States is concerned, the first item, that of national defense, may be regarded as negligible, as fortified towns with their torpedo boats, mines and 16-inch shore-guns are impregnable to battle-ships, unfortified towns under the laws of war are now immune from bombardment, and no modern army can subsist in a hostile land without a tremendous train in the way of supplies. Since Napoleon's time, no army has lived on the enemy's country. Neither does the battle-ship any longer ravage the coast, burning villages or robbing farmers. It is far too costly a tool for such use. A battle-ship has equipment for about an hour's warfare with an enemy of its own grade. Broadly speaking, one may say that after an hour's actual fighting those ships which are not victorious are captured, sunk or fled. The great sea-fight off Tsushima was settled in twenty minutes.

The defense of England on the other hand, depends primarily on her navy. She cannot feed

herself and looks to other nations for bread. But her navy is now swollen far beyond reason and so becomes in a degree a menace to world peace.

If we consider naval expenditures as "insurance" whether on land or sea, the rates are far too high. The "risk," such as it is, applies only to seaboard property and to very little of that. For the most part such insurance is wholly needless for reasons elsewhere given.[3] Further it fails of its purpose because it does not reduce the risk. The more numerous the engines of war, the greater the chance of collision, except as held in check by the operations of bankers.

(2) The second item, the maintenance of peace, we may neglect as a figure of speech. "Sea power" makes for peace through awe or through exhaustion. The first of these keeps the little nations quiet. The second places war out of reach of the large ones, a matter which is discussed further on.[4]

(3) The third item, the protection of commerce, has but limited range of value. In all normal conditions commerce is wholly independent of naval operations. The trade of great nations is, for the most part, not with their dependencies but with their equals. The commerce of Norway and Holland, without sea power, is greater per capita and greater in relation to national wealth

[3] See page 159.
[4] See page 98.

than that of Great Britain or Germany. Even the trade of Switzerland stands in proportion, it is claimed, above that of the great sea-faring nations. Exploitation is not trade. In the control of colonies, the idea of spoliation must be given up before commerce begins.

(4) The fourth reason, the circumventing of other nations, involves the old fallacy that each nation is an individual, mean and grasping, ready at any instant to pounce on its unprepared neighbors. This Pierre Loti calls the "hyena" idea. Nations, however, are groups composed of men each intent on his own affairs, and wholly opposed to collective action which shall interfere with these. The "hyena" spirit sometimes appears in antiquated diplomacy, in reckless journalism or in the belated utterances of case-hardened war-makers,[5] (who have never fought a battle), but not often in the actual interrelations of modern states. Commerce in civilized nations is a mutual affair, and in every cargo that crosses the ocean many nationalities have a stake. The moneyed interests of every civilized nation are to-day bound up with those of every other.

(5) As regards the fifth reason, the protection or subjugation of alien dependencies, the navy can do little more than to serve as a convoy for transport ships. In time of peace this service is scarcely needed. To accomplish it in any

[5] For example, see General von Bernhardi's *Deutschland und der nächste Krieg.*

event would require neither large vessels nor many of them. If it means a great fleet, the game is not worth the candle. Some of England's wisest have doubted whether it is ever worth while. Others have called it the "White Man's Burden."

We may note further that actual war is conducted in the main by armies. Ships cannot fight armies, even as "a herd of whales cannot fight a herd of elephants."

(6) The sixth reason, that of ceremonial needs, is one not often emphasized, but it is obvious that great navies exist largely for giant decoration. It is said that 167 vessels took part in the late Coronation of King George V. Only one of these had seen service, and that was of little importance.

The same spirit which led the Emperor of Germany to add to his honors the title of "Admiral of the Atlantic" is involved in every movement for naval extension. The love of national display, peculiar to no one nation, finds satisfaction in naval parades. In America our biggest ships, however well constructed and however skilfully managed, are valued largely by the people as a decoration. We must not forget, however, that engines of destruction were built for use; they tend always to achieve their normal function, they are at once costly and dangerous beyond all other toys.

Some time since, Norway celebrated at Bergen

the anniversary of the birthday of the great naturalist, Michel Sars. From the Imperial University of Tokyo came an eminent Japanese scholar to do honor to his colleague. At Bergen lay the little Norwegian fleet of battle-ships. Some one remarked that, compared with the fine navy of Japan, the guest must look down on this paltry fleet.

"No," said he, "the reproach of Japan is that she has a great navy with no Michel Sars whose birthday she can celebrate."

(7) The seventh reason assigned, the "Control of the Sea," rests on an outworn anachronism. In 1493 Pope Alexander VI divided the ocean between the two great sea-faring nations of the day, Portugal taking control of all east of about the fiftieth meridian, Spain of all that lay to the west. This gave to Portugal Africa and Brazil and to Spain the rest of the tropical world. But in our day no nations control the sea. All governmental authority stops at the three-mile limit. The open sea is a highway for all peoples alike. In time of war, under the present antiquated code, navigation may be a bit dangerous to merchant vessels of belligerent nations. To-day, however, war never lasts long. It is now beyond any nation to carry it on for more than a few months with a foe of equal resources. A million dollars a day is a moderate cost for a moderate war. Large wars can be had at a proportionate rate. But the lanes of traffic are

soon open again and control of the sea no longer exists.

To say that the United States must fight Japan for "Control of the Sea," as some of our armament promoters have claimed, is the height of absurdity. There is nothing to fight about, and the fight over, nothing would be settled. There is room for a thousand merchant ships on the Pacific where one now sails. If by control of the sea we mean the fact that one nation has more merchant ships than any other or even all others, very well. This is not a matter of war and has no relation to war-ships. The Pacific may, as has often been said, be "the scene of the great deeds of the twentieth century," but these will be deeds of peace and constructive effort. "Sea Power" will then disappear as a nightmare of history.

Abolition of Legalized Piracy

Moreover one of the next acts of The Hague Conference is almost certain to be that of the neutralization of all merchant and passenger vessels. When this comes about piracy will no longer be one of the great evils of war.

Under the laws of war as accepted in 1899 after the first Hague Conference, private property on land, unless used for war purposes, is immune from seizure or destruction. Thus far, under these laws private property at sea may be seized by the crews of hostile vessels and appropriated, as prizes, to their personal benefit. The right to

plunder is supposed to stimulate officers and men to renewed activity. Great Britain has upheld this right, presumably because she has more men to encourage. But she has also most to lose and some of the ablest of British statesmen are now in favor of the neutralization of non-combatants and their property on sea as well as on land.

The old point of view of the English admiralty was expressed in 1861, by Lord John Russell, that England with her superior navy must aim at ruining the commerce of the nations at war with her in the shortest possible time after the outbreak of hostilities, and thus ensure not only her overlordship of the sea but also her supremacy of trade for all times. . . . "It is impossible for other nations to take, lying down, such a perpetual menace. . . . The chief essentials to-day for the maintenance of peace are the general enforcement of the principle of the 'open door' and the general recognition of the inviolability of private property at sea.[6]

While at the beginning of each international war of the last century, a certain number of ships have been seized as prizes there is no evidence that the final results of any conflict have been in the least affected by these preliminary acts of piracy.

Keeping Step

The excessive cost of armament when recognized is usually considered inevitable. A Jap-

[6] Professor Lujo Brentano: Munich, 1912.

anese writer in the "Chuo-Koron" says: "No doubt the war taxes of 160,000,000 yen per year are destroying our country, but the strain of international relations will not allow us to lower our taxes. What we have to do is to strive to increase our natural wealth so that the burden of taxation will not seem so heavy. To reduce Japan's army is impossible, owing to the necessity of looking to the future of China, while to reduce expenditures in the navy is equally impossible. We must do everything to keep the prestige of our glorious navy."

Lafcadio Hearn says that "the Japanese farmers wade knee deep in the mud to produce the rice they cannot eat themselves in order to buy poorer rice and let their Government build battleships to show that Japan has a place among the great Powers."

One of the ablest of Japanese statesmen, and himself opposed to the policy of debt, voices the common feeling of Japan that the chief reason for the development of the Japanese navy lies in the increase of armament of the United States.

This is not that Japan really supposes herself in danger from the United States. It is rather that the larger nations set the fashion. It is feared also that the financial credit of Japan, jealously guarded by her ministry, may suffer if she fails to keep step with her sister nations.

Bad habits are catching. In Argentina it is only a "banal commonplace to observe that the

peace of the world has no better support than naval preparation in every quarter." The journal, *La Argentina*, continues:

"The demand for a naval fleet of Argentina does not imply the possibility of conflict with our neighbors. The ground for this demand is that the rich productions of the country make oceanic navigation indispensable, with the result that Argentina should be in position to make her merchant flag respected.

"Away with weak and idle pacifism and down with all those who oppose tooth and nail the project for a powerful Argentine Navy.

"The arguments stated above point out to the people at large and to the powers that be the importance of a complete reorganization of our Navy, especially as regards the material, size and number of its ships. At the same time we must condemn the attitude taken by our pacifists and the falsity of the position assumed by those who persist in a systematic opposition to all schemes of naval expansion."

The Monroe Doctrine

It is claimed by certain militarists, that "the Monroe Doctrine goes as far as our navy can reach and no farther." In other words, this slogan of the republic rests on force and force alone. If that is the case, it is not worth the cost. If it rests on force and not on right, the sooner it is done away with the better. It may be indeed that it really has no claim on our respect. It may be, also, that our occupation of the Philippines has already repealed the Monroe

Doctrine. For there is a sort of Golden Rule among nations, that no one of them can do what it forbids to its neighbors.

If the Monroe Doctrine has any validity, it is a definable part of international law. It was originally a proclamation against European spoliation in regions geographically allied to the United States. It is fair to others that the doctrine should have a modern formulation by experts in international law. It is a reproach to ourselves that this has never been done. Such a formulation should command the assent and approval of statesmen in all nations. The point at issue is that the nation stands for justice, not for the protection of delinquents.

The Monroe Doctrine would not necessarily forbid transfer of sovereignty even from an American republic to a European empire. It would prohibit its transfer by force of arms. It is not evident that we have any right to go further than this. The belief that we may do so is giving effect to the contrary "Calvo Doctrine" that Latin America can take care of herself. Allied to this is the "Drago Doctrine" that no nation should collect money for its subjects by force of arms.

Unwillingness to Pay

In one of his many discourses on sea-power, Admiral Mahan suggests that the growing unwillingness of the people, the world over, to pay for it may be due to their "degeneration." "De-

generation," as thus used, is a word without meaning. The only "national degeneration" known to history is found in the reduction of the average force of the units of which a nation is composed. Such reduction may be due, as a temporary matter, to poverty or to failure in education or to oppression of any sort; or, as a permanent matter, to emigration, to immigration or to war. Emigration in many parts of the world has lowered the average at home by taking away the best. Immigration may lower the average in any region by filling it up with poorer stock, "the beaten men of the beaten races." The general effect of war is to destroy the virile, leaving the commonplace to reproduce their kind. In this sense, war and immigration have each produced a varying degree of "degeneration" in most parts of the world.

But we can find better explanations for the increasing aversion of the people to borrowing more money for more sea power. Their growing sense of tax-oppression on the one hand, their rising intelligence on the other and the increasingly murderous cost of the whole thing seem to furnish adequate reasons. It may be true, as Admiral Mahan indicates, that the growing cost of armament no more than keeps pace with the increase of national wealth. (In other words, it follows "Johnson's law," to which I have several times referred.) But in this discussion, we may ask whose wealth it is that keeps pace with the growing cost of militarism. A nation's capacity

to pay is not measured by the swollen fortunes of armament-builders nor of those financiers "without a country" who loan the necessary money. In the long run, it is the common man, the ultimate producer and the ultimate consumer, who pays for all. In all waste production and in all waste consumption, the cost falls on the worker in the end.

Sea Power and Poverty

There is no question that the excessive and growing cost of armament is one of the great factors in national poverty. The greater the sea power, the less the nation has for other purposes. It is agreed in Great Britain for example that to strengthen the army is to weaken the navy, the limit of taxation being already so nearly reached. As sea power grows, the nation weakens through loss of reserve power and through the stress of taxation. The weaker the nation, the greater its need of sea power. In this paradox we find a clue to the persistent state of alarm in England, whose sea power fairly balances that of all her rivals taken together. She fears Germany on the one hand, her own unhappy proletariat on the other, and no accession of sea power can protect her from internal discontent. England is rich, if you look at her from above. The great dukes got her land—for nothing and free from taxes—in the early "merry" days when a county might be given to a royal favorite free of taxation, except for his pledge to raise so

many troops on call. From this pledge the great lords have long since been released by processes of easy commutation. Even yet, they still hold half of England in their grip. Looked at from below, England is very poor. It is said that out of a hundred Englishmen only six make a last will and testament.[7] The rest have nothing to leave. One man in seventy holds about all that is worth having.

London is at once the poorest and the richest of all cities. Her East End is the hopper into which fall the incompetents of the land, the generations of those whom war could not use. At the same time she is the clearing house of the world. The traders of all nations meet there to balance their accounts. She is the center of the buying and selling of money,—but not the people's money.

The shadow of debt in England and on the continent grows with the growth of sea power and land power and imperial dominion. It looms darker still against a glowing background of pomp and circumstance. For the debt of the nation is the debt of the toiler. It is borne on the back of industry.

> "Fall to each, whate'er befall,
> The farmer, he must pay for all."

Behind and beneath all public affairs stand the people. They do not count for much in great

[7] Reginald J. Campbell at Ford Hall, Boston.

displays and their final end, according to Gambetta, is a "beggar crouching by a barrack door." Yet as soldiers and as taxpayers they are really necessary to the continued dominance of a great and fearless nation. An essential element in militarism is a patient industrial army which can pay the costs. It seems plain enough that the great lords cannot pay the taxes and that the great bankers will not. To be relatively tax-free is one of the natural privileges of greatness.

It is true that in England the lords are coming more and more to bear their share of the costs they help to create. In continental Europe tax discrepancies are greater. It must be granted however, that the world over, in America as well as in Europe, industry carries more than its share of the burdens.

"*Gare au bas vide*" (beware of the empty stocking), was a warning of Gambetta. To tax too closely is to risk the overthrow of organized government.

VI. "SYNDICATES FOR WAR"

It is a fact, more or less well known, that the arguments that "expansion of armaments is necessary to insure peace," that "big armies and navies are the insurance premiums of peace," and that "to insure peace a nation must always be prepared for war," rest heavily on the desires of the armament syndicates to keep up their business. The armament lobby of Europe is the most powerfully organized instrument of its kind in the world. Its operations are consciously and carefully planned. It is ably supported by a very large body of men and women consciously or unconsciously interested in one fashion or another in military expenditure. It has also the continual and effective backing of that class, in business or in journalism, who in Burke's famous phrase "scent with delight the cadaverous odor of lucre." The term "Armor-Plate Press" is effectively applied by Francis W. Hirst to the large group of subsidized journals. "*Defense not Defiance,*" says Robert Young, is the "international code-signal" of the armament pirates.

The British Ship Lobby

In a recent article,[1] Francis McCullagh of London describes the "greatest of the unseen and

[1] Syndicates for War; *New York Evening Post,* April 1, 1911.

pernicious forces with which economists have to contend." These are "the powerful companies which exist to produce armaments and which have been encouraged to increase their capital obligations within the last few years by the successive scares and naval programmes of the last decade." The capitalization of the six leading English firms is thus quoted from the *London Morning Leader:*

Vickers, Sons and Maxim	$ 40,000,000
Cammell, Laird & Co	20,500,000
Armstrong, Whitworth & Co.	33,500,000
Wm. Beardmore & Co.	18,500,000
John Brown & Co.	21,000,000
Thames Ironworks Company	4,300,000
	$137,800,000

This list is by no means complete so far as England is concerned. "The importance of these figures," says McCullagh, "is evident. The country has encouraged private concerns to expend these sums so that they may be productive of profits year by year for the benefit of their shareholders. Any restriction in the building of armaments either by the home or foreign Governments has disastrous results on the year's profits. It requires no stretch of the imagination to see that the enormous number of investors in every class of society scattered through the country exert a subtle influence in favor of the expansion

of armaments. The numbers are not so much as the quality." According to the *Investor's Review*, the social position of some of the leading owners of three of the principal firms is as follows:

	Vickers & Maxim	Brown & Co.	Armstrong & Whitworth
Duke	2	1	..
Marquis	2	..	..
Earl or Baron	50	10	60
Baronet	15	2	15
Knight	5	5	20
Member of Parliament	3	2	8
J. P.	7	9	3
K. C.	..	..	5
Military or Naval Officer	21	2	20
Journalist	6	3	8

It is said that the plant of Vickers' Sons and Maxim is prepared to lay down and complete three dreadnaughts in three years without going outside its own factories.

Whatever the final effect on Great Britain or on civilization, these plants must be fed with government orders.

At the Lord Mayor's Banquet, in November, 1911, Mr. Winston Churchill, first lord of the Admiralty, is quoted as saying that "naval supremacy is the whole foundation of the British Empire. Upon it stands, not the empire alone, not merely

commercial prosperity, not merely a first place in the world's affairs, but actually our lives and the freedom we have guarded for nearly a thousand years."

If an independent and courageous leader in "Liberal" politics thus makes himself the mouthpiece for the armament syndicate, it is not surprising that minor officials should feel the same patriotic impulse. In the *London Nation* (March 9, 1912) we are told that two government officials "occupying distinguished and confidential positions" have joined the Armstrongs as directors. "Sir Charles Ottley was until the other day the naval Secretary of the Defence Committee, and in this and other high and confidential posts must have had access to all the inner secrets of our defensive services. Sir George Murray was . . . the Permanent Secretary of the Treasury and was therefore the official head of the Bureau which controls national expenditure. . . . The weight of experience, of confidential knowledge of social and official ties, which has thus been added to the resources of a firm competing for contracts could hardly be exaggerated. . . . Henceforth it will be in the minds of senior men that . . . such valuable appointments are open to them on their retirement. They must constantly meet, officially or socially, the agents of firms which might so reward them, and in their dealings the tempting thought can hardly fail to insinuate itself in their minds, that a public serv-

ant who stands well with a great contractor may look to him in his declining years for a very valuable and remunerative post."

Militarism Further Entrenched

In referring to the standing army of men now maintained by the British Empire, the "largest peace establishment" in the world, Mr. George Herbert Perris[2] says:

"And behind this force of able-bodied and middle-aged Englishmen, there lie two bodies, also of adult men, most skilled and able-bodied, whose numbers can be only approximately determined: (1) Those engaged in the arsenals and dockyards, and the numerous armament trades; and (2) Pensioners, small and large, possibly 100,000 of them, since their cost on the estimates is about £2,500,000 a year.

"The probability is, that at least 1,500,000 adult able-bodied men—or one in six of the 'occupied' adult males of the United Kingdom—share, to some extent, in the £65,000,000 a year which we spend on the twin 'defense' services. Thus, even when we remember that many of these, like the 'Terriers' and Reservists, get a mere allowance, while a large part of the regular army is paid for by India, it will be seen that we have here the most widely ramified of all our vested interests, a fearful drag upon reproductive industry, and an influence which must often

[2] "Hands Across the Sea."

diverge from the straight line of democratic advance. The big prizes, of course, all go to a small class of financiers and industrial magnates, who, in order to keep the game going, exert a thoroughly pernicious influence on Parliament and middle-class opinion. The higher official ranks of the army and navy are an aristocratic preserve, and are highly organized for the advancement of their professional interests. This alliance of money power and class power, whose shibboleth and trademark is 'Imperialism,' includes the most determinedly reactionary element in British society.

"We are a part of a world-wide movement against obsolete forms of servitude, savagery and waste. The best of the civilization of to-day is on our side and the power of to-morrow is ours. Greedy contractors, silly scare-mongers, and their official friends whether in Germany or in England, are not checked by warlike preparations on the other side—quite the reverse. Each country must get rid of its own parasites. The democratic parties in each land must cut the claws of the enemies of the people. This is the work of national defence—the only road to real national security, the only true patriotism."

Activities of Armament Syndicates

It is stated on good authority that the establishment created by the late "King Krupp of

Essen,"[3] still the most noted of all builders of engines of war, maintains its ambassadors in every court of Europe. It is the business of these "strong, silent men" to force or coax the rulers of the nations into patriotic rivalry in the matter of buying great guns and great warships on credit. Behind them, still stronger and more silent men are prepared to loan the money needed on the terms of a moderate rate of interest and a cash bonus in advance. One of our greatest railroad builders used to boast that no one could trail him "by the nickels he had dropped." But it is claimed that the initiated can trace Krupp's men across the continent of Europe by their tips and *douceurs* as well as by the political downfall of the public officials not open to their persuasions. Not long since, according to McCullagh, the war minister of Servia was forced by Germany to resign because he had noted the personal interest of the German minister at Belgrade in the supplying of guns. M. Clemenceau intimates

[3] The directors of the Krupp Company have recently declared a dividend of 25 per cent.

The Austrian establishment for the manufacture of firearms ("Fabrique d'Armes Autrichiennes") has declared a dividend of 16 per cent. after a large addition to the reserve fund. The stock of all these companies is far above par, as far as that of the nations they rob is below. The larger the armament the more easily may further increase be secured. Each step widens the circle of bribery.

It is said that the imperialist journal *Ueberall* "carries sixteen pages of advertisements of the Krupp and Schican companies."

that, in Argentina, "French guns are beaten by the German because the emissaries of Krupp and his associates are more generous in their tips."

McCullagh also tells of meeting in Constantinople a military emissary selling arms to the Turks after putting through a good business in St. Petersburg. "At that moment," says he, "the young Turk officer was supposed to be so full of patriotism that he would cut your head off if you so much as hinted at bribery. But this astute military man from the North assured me that bribes were still accepted and still absolutely necessary. As a matter of fact, he bought up whole commissions of experts who were appointed to examine the weapons he had submitted."

"That all this diabolical activity," continues McCullagh, "makes for war is beyond all doubt. The good folks who sell Turkey a hundred million cartridges would not be averse to a Balkan scare or even to a Balkan war which would make Turkey want another hundred million to-morrow."

That in the United States similar activities are at work, both in and out of Congress, is a fact well attested although details are not easily secured.[4] Whenever the question of appropria-

[4] In different issues of the *New York Evening Post* of some four years ago is given a full account of the efforts at that time of one "General" of militia, editor of *Arms and the Man,* about the halls of Congress in the interest of various plans of military expenditure. Through his activity a "National Board for the Promotion of Rifle Practice"

tions is brought to the front we hear the same old stories as to the designs of Germany on the Monroe Doctrine, and the schemes of Japan on

was established. This Board maintained an active press agent, "to be paid for his work through voluntary contributions made by powder and ammunition makers and other persons and parties interested in the rifle practice propaganda." "The matter written by the Press Agent was distributed by the War Department and sent out free under the franking privileges."

The main purpose of the "General's" activities was to induce the Government to supply militia companies with guns, ammunition and trophies and especially to induce the purchase of ammunition from private companies.

The "General" greatly regrets "that the United States does not buy a considerable and fixed proportion of its ammunition from commercial manufacturers each year. Such a course would afford an invaluable means of comparing the merits of the respective creations and effect the stimulation of each by competition. . . . A similar method should be employed in obtaining our rifles." To this end he urges that besides the "School of Musketry at the Presidio of Monterey," we should have eight others, displacing "a system of target practice which is archaic."

The DuPont Powder Company issues a pamphlet on the "Policy of Patriotism," in which it is clearly shown that its factories "can be regarded in no other light than quasi-governmental institutions." "Approximately $300,000,000 is expended annually on the Army and Navy, and less than one per cent., or about $3,000,000, of this vast sum goes to powder. How important the item of excellence!"

A friend in Congress calls my attention to the following significant abstract from the Congressional Record, April 28, 1911, in reference to a Senator from Delaware:

"Mr. du Pont"

Assignments:

Military Affairs, Chairman.
Coast Defenses.
Expenditures in the War Department.
Pensions.

California or the Philippines. We are told of "35,000 Japanese ex-soldiers in Hawaii," of the purchase by Japan of Magdalena Bay "where she has already 75,000 soldiers," of the need of "meeting our enemies in the open ocean," of the "Danger Zone of the Caribbean Sea," and of other matters, real or imaginary, calculated to induce us to continue to "throw good money after bad" in the interests of naval preponderance.

The "War Scare" as a Weapon

The chief weapon of the Armament Syndicate, because the most effective one for persuading a nation to go more and more deeply into debt, is the "war scare." Always the one nation is pitted against the other. Always there is imminent danger from our neighbors. Awful revelations appear at critical moments. Not alone in Europe, where war scares have a mischievous diplomacy behind them, but also in the United States, the peace center of the world.[5] Curiously enough, the "war scare" appears also in Australia and New Zealand. No part of the world is more naturally immune from even the thought of war than New Zealand, but even here the emissaries of armament are active. Patriotic zeal calls for universal conscription and the "impending dan-

[5] "If our navy should shrink to lesser proportions and should be permitted to fall below the level of Germany, France and Japan, these nations would bully our commerce and insult our Monroe Doctrine whenever they felt like it."—(Republican Peace Committee, New York.)

ger of Japanese invasion" is urged with a vigor worthy of a real cause. Already Japanese fishermen have been seen on the reefs of New Caledonia, barely a thousand miles away! There is not the slightest evidence that Japan or anybody in Japan has any designs whatever on Australia or New Zealand. The whole agitation would be absurd if it were not thoroughly mischievous.

The storm center of war scares is found in England, not that her danger is greater, but because she has more builders of armament. It is in the interest of these men, not of the nation, that Great Britain shall have twice the "sea power" of any other nation. The growth of England's armament reacts on Germany, furnishing her diplomatists with an excuse for her extravagance in shipbuilding. A further excuse for her army excesses appears in the specter of Panslavism, which is also readily evoked.[6]

[6] In this connection, and making toward the same end, we have the joyous philosophy of militarism. Heinrich Leo (1853) prays cheerfully and unafraid: "May God deliver us from the inertia of European peoples and make us a present of a good war, fresh and joyous, which shall traverse Europe with fury, pass her peoples through the sieve and rid us of that scrofulous chaff which fills every place and makes it too narrow for others, so that we can again live a decent human life where a pestilent air now suffocates us."

Truer to fact is the following: "You have been made sick by tasting dangerous poison. Great soldiers have often told their men . . . that they have tasted the salt of life. The salt of life! . . . For it is nothing but the salt of death. It is a very subtle poison

Typical of the war scare is the following referring to the story "in the air," to the effect that Japan is buying Magdalena Bay as a coaling station.

"This we have to say, and we mean every word of it—that we desire no trifling or tampering by a foreign power with our neighbors on the Western Hemisphere that may prove a menace to them or to us, or that may in any way interfere with the declared principles of the Monroe Doctrine. We should not heed this hysterical peace talk that Asiatic missionaries and other well-meaning but deluded fanatics are giving us. We desire peace, but the air seems full of war. The public safety demands that our coasts and possessions be promptly and adequately fortified at strategic points, that the regular army be increased to its full strength, that our State militia be organized, drilled, and equipped, and that we should possess a most formidable navy to be prepared at a moment's notice for any and all contingencies." [7]

In Professor Grant Showerman's charming essay, "Peace and the Professor," this quotation appears, accredited to a modern "Cassius": [8]

"I am one of those who look for the simplest

which may lie hidden in the blood for many years. I believe it is a terrible thing!"—(B. L. Putnam Weale; *Indiscreet Letters from Peking.*)

[7] *Mexican Revolution and American Public Opinion,* p. 4, 1911.—William Temple.

[8] Nicholas Murray Butler.

motives of explanation of action or of conduct. My impression is that somebody makes something by reason of the huge expenditures in preparation for war. Have you ever noticed that about the time that the appropriations are under consideration in the House of Commons, in the Chamber of Deputies or in the Reichstag, or just before that time, hostilities are always on the point of breaking out in two or three parts of the world at once! . . . It might be worth while . . . to make some measurement of the sincerity and disinterestedness of the lively type of patriotism which accompanies these military and naval debates the world over. Is the propelling motive for them to be found in economics or in psychology? . . . While both these admirable sciences are represented in the make-up of that propelling motive, economics is not always the less important of the two."

Hon. David J. Foster, the late Chairman of the House Committee on Foreign Affairs, ventured to assert:

"I am absolutely convinced that there is a criminal conspiracy on foot for the purpose of bringing on a war between the United States and Japan. Thousands upon thousands of dollars are being spent to carry on this propaganda, and I am confident that the plans of these conspirators will unfold themselves before very long. I am convinced that this constant agitation for a war between the two nations is nothing but a

subterfuge employed by those people who are determined that this government shall build not less than two battleships each year. To endanger the friendly relations of two great nations in order that certain selfish interests may be gratified is nothing short of criminal."

"Looking back over 60 years," says George Heck [9] in London: "I can recall innumerable scares as to the sinister designs of some foreign country, scares which were as groundless as their recurrence seems to be inevitable. When imagination takes the form of fear, it becomes not a priceless gift, but a costly danger." [10]

[9] *The Nation,* London, February 10, 1912.

[10] Among the really sincere creators of war scares, and there are such, "General" Homer Lea, author of the "Valor of Ignorance," stands in a class by himself. Born in Denver in 1876, a Sophomore at Stanford University in 1900, a boy with dreams of Empire, he spent some time in Canton, becoming a member of some secret society of agitators. "Undersized and frail the little General in uniform of his own devising, overburdened by his spreading epaulettes, was always a figure of merriment to the scoffers, but the very qualities that dwarfed him in the eyes of his neighbors added to his stature when the uprising in China became an effective reality." (*San Francisco Chronicle,* May 2, 1912.)

His title of "Commander of the Second Army Division, holding the rank of Lieutenant General over these forces" (see *Who's Who,* 1911, p. 1129) was also "of his own devising," the "forces" so far as known being "broomstick companies of Chinese in empty squares and vacant lots" about Los Angeles. He was never connected in any way with the United States Army.

The "Valor of Ignorance" is a crude but clever echo of the military philosophy of Napoleon's times, with plans of

The following note appears in the telegraphic despatches of the week:

"The appearance of Germany as a possible supporter of Colombia is regarded here as the latest proof of the Kaiser's willingness to challenge the Monroe Doctrine. The history of Germany's intriguing to get a foothold on American soil, although it has not yet been written, is of course well known in naval circles here. The best-informed officers of the Navy have long been convinced that the steady increase in the German fleet has been aimed not at England and not at France, but at the United States; and that it is not Japan in the Pacific which we need watch most closely, but Germany in the Atlantic, and that it is with her rapidly increasing battle-ships that we shall eventually have to try conclusions." (*San Francisco Chronicle,* March 11, 1912.)

A few days later we read:—"Strategists in Washington have not the slightest doubt that the moment the spark in China is ignited, Japan will seize upon the opportunity to grab the Philippines, if indeed that is not one of her principal objects in endeavoring to precipitate an international war." (*San Francisco Examiner*, March 20, 1912.)

Still later, April 3, a climax is reached in the following from the *Los Angeles Examiner:*

"A confidential letter received by a diplomatic

imaginary campaigns to be executed by Japanese in California. It has no value from the military or political point of view.

official in Washington contains the startling information that the moment the United States intervenes in Mexico a Japanese force will attack the United States. The letter states:

" 'I know that Japan is ready to help Mexico. I know that there are over 60,000 Japanese in Mexico, and I know each one is well armed and is only waiting the word to join the Mexican army.

" 'I know that every Central and South American State will send its quota of men and money to help Mexico. The United States would win in the end, but it would lose its prestige.

" 'Germany would get a big slice of Brazil; France would get part of Chile, and England a part of Argentina. The Japs would get the Philippines and Sandwich Islands and would bombard the cities on the Pacific slope. I learned this from a source that is undeniable, but I determined that I would not tell it unless intervention was imminent.' "

On the same day, April 3, 1912, the following appeared in the *Boston American:*

"For more than three months a great syndicate has been in negotiation with the Mexican Government for a vast tract bordering on Magdalena Bay. The avowed purpose is to establish a Japanese colony. Back of it, however, is understood to be the Japanese Government.

"Already 75,000 Japanese are located along this most convenient body of water. Nearly every ship of the Japanese line, which operates on the Pacific coast, adds to the number. While many of these men are farmers, most of them are trained soldiers, many being veterans of the Russo-Japanese war.

"So great is the menace of this colony to the peace of the American continent, according to information received by the *American* to-day, that as far back as a year ago Great Britain sent a secret note to the United States demanding that the Oriental nation restrict its activities.

"In this note Great Britain called attention to the fact that she had an alliance for offence and defence with Japan and was therefore unable to make forceful representation herself. Such representation, the note insisted, must be made by the United States."

It may be noted that Magdalena Bay lies in the rainless belt of Lower California, that the lands about it are uninhabited and practically worthless, mountainous, and without vegetation save scanty cactus and cedar bushes. There is a good harbor, in a stormless sea. The fisheries in the roadstead are very rich, and are covered by a concession made by the Government of Mexico to Mr. A. Sandoval, resident in Los Angeles. This concession includes all the fisheries of Lower California.

There are a score or two of Japanese fishermen in Southern California and some of them have, I am told, examined the Sandoval concession. There is no market for fresh fish in Lower California, but there is a chance for salting large fish and for packing small ones in oil, as also turtle flesh and crabs at Magdalena Bay. There is no town [11] of any consequence nor

[11] As a matter of fact, there is now at Magdalena Bay

site for a town, as there is no water, save, I am told, from a brackish spring, opening among the sand dunes. On the Bay, there was once a colony who gathered from the rocks the lichen called Orchilla, then used as a yellow dye, but now replaced by the cheaper anilines. The whole orig-

a village of 100 people, six of them Japanese, a few Chinese, the rest mostly Mexicans. These are employed at a cannery owned by Mr. Sandoval. In this, crabs and green turtle are put up in tins. The flesh of the tunny is salted and dried while other fishes are made into fertilizer. It is expected that this concession will be ultimately developed with French, not Japanese, capital and with the aid of French fishermen. There are practically no Mexican fishermen, and since 1907 no Japanese laborers have been allowed by the Foreign Office at Tokyo to come to Mexico or to Canada.

A third enterprise of expatriated Japanese and their associates in Mexico has also come under the notice and condemnation of the "Armor-plate Press." A fishery concession covering some 200 miles of coast about Salina Cruz, another to the same extent about Manzanillo, and a third similar to these between these two points, near Acapulco, have been offered to bidders for a period of ten years, at a total rental of $1500 each. Representatives of the Toyo Hoge Kaisha (Oriental Whaling Company) have secured for a time the refusal of these concessions, at $2,000 for the three for a period of ten years. Along these shores fishes are abundant. They are not easily preserved by salting, especially with Mexican rock-salt. They dry up or else decay before the salt strikes in. The market for fresh fish is too far away, and the canning of sardines in that climate is a precarious business, as they are likely to spoil before they can be brought to land. The sums involved in the whole matter are petty, and these little ventures call for no notice from our Government. There is not a shadow of evidence that the Japanese Government or any combination of Japanese capital has ever had any designs on anything in Mexico.

inal basis of these newspaper stories is thus given by a Japanese friend, conversant with the facts, a man of the highest standing in San Francisco:

"There appears to be a concern known as the Chartered Company of Lower California, of which John E. Blackman of Los Angeles is President. I do not know where or how this company was incorporated, or where its headquarters are; but it seems to be in possession of a grant from the Mexican Government of certain lands on the west coast of Lower California, including territory on Magdalena Bay. Efforts to sell a portion of this land, or colonize it, seem to have been made by the company, and, among its other activities, it has attempted to interest Japanese capital. Through its representatives it approached Messrs. O. Noda and K. Abiko, two well-known Japanese residents of this city, and Mr. Noda was induced to go down last winter and inspect the territory. In doing so he represented no one but himself and possibly Mr. Abiko. Neither one of them has any capital behind him, nor has either one of them any authority to represent any bank, steamship or other financial body—let alone the Government. Acting in his personal capacity, Mr. Noda had a perfect right to take the course he did; but, in view of the readiness with which certain trouble-seekers in this country are prone to seize upon every opportunity to misrepresent and distort the motives of the Japanese Government and the individual enterprises of its people, his course was, perhaps, injudicious and unwise. It was an incident—perfectly proper in itself—but readily lending itself to the

purposes of mischief-makers and sensationalists. Mr. Noda is now conducting a little business in Sacramento and Mr. Abiko edits a newspaper in this city. So far as they are concerned the matter is ended."

Whether as a crab cannery or speculation in desert lands, the whole affair has no more international significance than would arise if "Italy" established a new peanut stand on the Bowery "in dangerous proximity to the treasures of Wall Street." [12]

The fear of Japan lends spice to journalism in other parts of the world as well. In the *Japan Chronicle* (March 21, 1912), I find a translation of an article in the Russian journal *Dalny Vostok*. The writer, who signs his name as "Dalinsky," sees in the awakening giant of China and the mighty military power of Japan a menace to Russia making it "necessary to take steps beforehand against a new Mongolian invasion."

He finds that "at the present time Japan for warlike purposes can dispose of the following forces:"

[12] Yet, at Washington and in the "Armor-Plate Press" we are told that the Magdalena Bay "Colony" is a menace not only to the United States, but to the Panama Canal. It is located at the same distance from Panama that it is from Pittsburgh. There is no fuel nor food (except fish) obtainable in quantity from any point nearer than Mazatlan or San Diego, both as far away as Boston is from Washington, with no regular connections.

With the colors	763,000	men
First reserve	415,000	
Second reserve	831,000	
Soldiers	2,009,000	men
Trained militia	124,000	
Untrained militia	873,000	
Militia	997,000	
Total	3,006,000	

These, "with the already existing Korean troops," give to the cry of "Asia for the Asiatics!" a most powerful backing, and Russia may indeed tremble. "We have been keeping ourselves quieter than water, lower than the grass . . . giving way to all their wishes, even trying to anticipate them. China is still weak, and a prey to civil war. America, until the digging of the Panama Canal, is helpless against Japan." "A crow does not peck out a crow's eyes." . . . "In this outburst (of aggressive movement) Japan will probably come into collision with us and not with the Chinese."

It is evident that the imagination of the "dockyard strategist" is quite as vivid and fantastic in Russia as in Washington. How pitiful seem the 75,000 armed Japanese gathered by Mr. Hearst on the barren sand dunes of Magdalena Bay as compared with the three millions thus conjured up by this Russian operator!

The *Sydney Bulletin* in Australia, as quoted in the *Japan Chronicle*, cites the case of one Yang Ki-tak, a Korean imprisoned for some reason by the Japanese, and described as a member of "a race which believed in the talk of Peace Societies and spurned the idea of naval or other defense."

It says:

"Australia's personal interest in the above lies in the fact that the fate of Yang Ki-tak of Korea may be the fate of John Brown of Victoria or Bill Smith of New South Wales, if the Great Trouble comes before the Commonwealth Boy Army has had time to grow up or its infant fleet a chance to develop into something worth while."

Henri Golay (Berne, 1912) says: "The actual political philosophy of government is fear of ghosts. Each state has two or three ghosts which hold the strings to which are attached the ministers and chiefs of that state. When one lives under the fear of ghosts, one exists in a distorted and unreal light—the veritable molehill would appear as a mountain, the little ship quietly steaming off on a voyage would suddenly appear to assume the proportions of a pirate, and one word uttered from a mouth more or less responsible is enough to call forth a declaration of war. Let us as nations cast aside our ghosts . . . and disarmament will come as a natural sequence."

Sir Edward Grey once observed that many misunderstandings could be averted by "an interna-

tional exchange of journalists." An exchange of "dockyard strategists" might also help.

Armament for War or Peace?

Certain general propositions may be laid down as to war and peace. To regard war as "glorious" is to invite it. To regard it as a hideous calamity is to avoid it. The nation which holds war in the background as a possibility in case of difference is likely sooner or later to resort to it. The nation that eliminates war from its methods of adjustment will find peaceful methods at hand whenever differences do arise. To be pledged to arbitration is to be "thrice armed," for it is to have one's "quarrel just."

Artificial "ententes," meaningless friendships and "entangling alliances" increase the danger of war. To a nation's own enemies and the friends of its enemies, these coalitions add the enemies of its friends. The diplomacy which seeks to thwart the aspirations, righteous or otherwise, of other nations is itself thwarted in turn, and each entanglement is described in terms of war.

It is the claim of each nation that its armament is solely for defense, for the protection of its commerce, its colonies or its coasts. This claim is clearly not true in every case; perhaps not true in any case.

Purely defensive armament may make for peace. It may impress rival diplomatists that war would be a risky process. But defensive

armament is never satisfied to remain purely defensive. It is intolerant of a waiting policy. It tends to aggrandize itself. It would be "prepared to meet the enemy in the middle of the sea." In other words, it would become armament for offense as well as defense. War involves both.

Moreover, the fighters are dissatisfied with a waiting game. "We like to have a mark that will wriggle when we hit it. We cannot have weapons without wanting to try them and see whether or not they will work."

Professor William Graham Sumner [13] has well said:

"There is no state of readiness for war; the notion calls for never-ending sacrifices. It is a fallacy. It is evident that to pursue such a notion with any idea of realizing it would absorb all the resources and activity of the state; this the great European states are now proving by experiment. A wiser rule would be to make up your mind soberly what you want, peace or war, and then to get ready for what you want; for what we prepare for is what we shall get."

"War," says the German Colonel Gadke, "is the father of other wars. The more we think of our own power and ability, the oftener we have tasted of the fruit of victorious war, the more we are surrounded by the evil spirit of Chauvinism and of imperialism."

The "Peace Establishment"

The military equipment of England is often

[13] *Yale Review,* October, 1911.

mentioned as "The Peace Establishment." Here we have a stroke of giant humor. Thoreau once referred to the weather as being "so dry, it could fairly be called wet."

But it is nevertheless true that the so-called "Peace Establishment" does make for peace in two ways. It may promote the "Peace of Preponderance" to use Lord Rosebery's phrase, or what we may call the Peace of Impotence.

So far as "preponderance" goes, it is clear that a little nation will not often attack a big one whatever its grievance. Persia will not declare war on Russia and England, nor, if you please, Colombia on the United States. It is fairly safe to be "preponderant" but that fact has nothing to do with justice. [14]

The "Peace of Impotence" follows an overdrawn bank account. This introduces a third element, the international banker. His relations to war and peace have been already sufficiently discussed in these pages.

"Peace Establishments" and Secret Diplomacy

In the Europe of to-day, "Peace Establishments" serve mainly as counters in the game of secret diplomacy. When the chief business of the state was war, the function of the diplomatist was to spy out weak places for attack in his

[14] "Where empires towered that were not just
Lo the skulking wild fox scratches in a little heap of dust!"

—(Lowell.)

neighbors' preserves, next to devise pretexts to make such attack seem honorable. The armament builders of the world strive to keep alive this tradition. The presence of idle armament is a constant spur to diplomatic activity. Thus is established a mischievous round of diplomacy and armament in which every "Great Power" is entrapped. "It has been apparent," says Admiral Mahan, "that the governments of Great Britain, France and Germany have earnestly striven for peace." On the face of things, such would not appear to be the fact. Rather the center of war menace seems to lie in the Foreign Offices of these three nations. If private citizens behaved toward their fellows in like fashion, it would be said that they were "hunting for trouble."

Great armaments support a policy of diplomatic aggravation. Diplomatic aggravation in turn serves to make costly armament inevitable.

Economic Difficulties in Disarmament

Under present conditions with an armament expenditure for the world of over $2,000,000,000 yearly, the number of men engaged runs far into the millions. With the suppression of war all of these men as well as all the other millions now withdrawn by conscription, will be returned to the ranks of toilers.[15]

Such a transfer will temporarily involve seri-

[15] After the Boer war, according to McCullagh, the extra hands employed in the Government gun-factories at

ous disturbance in economic adjustment. For it is recognized that any fundamental change in labor conditions causes immediate confusion to some part of the industrial world. The advent of peace would for a time bring widespread distress, although it would soon be more than compensated for, as the mass of the people would thus be released from the burden of supporting millions in what (economically considered) is destructive idleness. When these also became workers the aggregate of demand and supply would rise alike, and all would gain from the shutting off of the avenues of waste.

During the period of transition, however, there would certainly be suffering. Would it be unreasonable to expect the commonwealth which has forced its artisans into gun-making, powder-making and the building of warships, to lead in amelioration of conditions following the change of military establishments into industrial and the makers of war implements into artisans of peace? The change must come—will come—and it is for wise statesmanship to make it as little drastic as possible. As Governments have reserved to them-

Woolwich had to be discharged. "What else was to be done? The Government could not proceed to start another war just for the sake of keeping these men in employment, and it could not pay them for being idle. Nevertheless a roar of indignation went up from the imperialistic press." Even the labor leaders, or some of them, joined in this clamor against throwing so many good men out of employment merely because the Government had nothing for them to do.

selves the right of making war, they should acknowledge the obligations incident to its passing. The revival of the American Merchant fleet would go far to relieve the exigencies connected with the abandonment of war preparation in the United States. As to our naval personnel, the changes impending must of necessity be so gradual as to cause no serious embarrassment. Our standing army is small, being relatively near a peace basis. Its extravagant cost is due not to its size, but to the lack of discretion on the part of Congress in the needless multiplication of army posts.[16]

[16] See page 168.

VII. WAR TO-DAY

Types of Modern War

In our time, the various wars actual or threatened may be divided into three types. These we may term Civil War; International War; Imperial War.

Civil war is strife within the confines of a nation. It indicates, in general, the failure of the essential attribute of a modern nation,—the will and the power to maintain peace within itself. Internal peace depends on the maintenance of a representative legislative assembly on the one hand and of courts of justice on the other. A despotism is essentially a condition of civil war.[1] Historically, in civil war every despotism has found its final and necessary end. Civil war may be the work of thieves, marauders and malcontents; or it may be the last resort of "murdered, mangled liberty"; or it may also be an inextricable mixture of the two.

International war is a conflict between recognized nations, more or less equal in prestige. This form of strife has filled the pages of European history, and it stands as a constant menace in the background of most of the diplomacy of the world.

[1] A Chinese saying thus describes absolutism in China: "Big fish eat little fish; little fish eat shrimp; shrimp eat mud."

Imperial war, or in Novicow's classification, "War of Spoliation," comprises conflicts undertaken for extension of national territory and rule. Its function is the control by a strong hand of inefficient or inadequate peoples. Its motives may be various, half-altruistic or wholly selfish, for riches or display. The results may be equally various, moral and physical improvement of the conquered nation, or the utter ruin of its people through processes of miltary pacification, or any intermediate combination of the two. Whatever the motives, it is worth notice that the real one is seldom actually avowed. Always these conflicts take the guise of benevolence or else of "military necessity" or "manifest destiny." It is said that the Turks are the only people who do not try to veil in some way their schemes of territorial spoliation.[2]

The only check to civil war consists in the establishment of democracy. Constitutional government and the development of the courts afford its only remedy.

International war, as I have already tried to

[2] The following sentences from speeches of Abraham Lincoln are pertinent to the discussion of Imperial Control.

"Let us discard all this quibbling about this man and the other man, this race and that race and the other race being inferior and therefore must be placed in an inferior position."

"What I do say is that no man is good enough to govern another without that other's consent."

"The sheep and the wolf do not agree on the meaning of liberty."

make clear, is now virtually at an end. The growth of debt and the cost of armament have placed the control of European affairs in the hands of the money-lenders. It has forged for them weapons against which the belligerent nations are powerless. The more warlike the nation, the more firmly is it held in the actual grip of debt.

With Imperial war the case is not so clear. It is likely to continue until all barbarous lands are covered by the flags of civilization. And the fierce intrigues and bitter jealousies to which these operations give rise hold within them again the menace of international war. But here too the bankers and the common-sense of the people may intervene. Imperial wars are scarcely less costly than others, and almost as profitless. Meanwhile the public opinion of the world is rising against and increasingly condemns the encroachments of Europe on Asia and even on Africa.

"The Great Illusion"

Norman Angell has applied the term, "The Great Illusion" to the idea that a nation can be strengthened or enriched by war. War of any sort no longer pays. Conquered territory is always a burden of expense. It adds to national vigor or to national wealth only when it becomes an integral part of the nation, the home of a coöperating and self-governing people; the "Louisiana Purchase" of the United States rep-

resents an expansion of this kind. Illustrations of costly but unprofitable holdings may be seen almost anywhere on the map of Asia or Africa. A well-governed dependency may be a source of moral strength to the parent nation but not a source of wealth. There can no longer be "taxation without representation." A "colony" cannot safely be asked to pay even its military expenditures. The secret of our creditable recent government of the Philippines lies largely in the fact that the taxes of the islands are used for their own public purposes. For the services of army and navy we do not ask them to pay. Our own military outlay in their behalf has been estimated (1912) at $168,000,000. Nowhere in America or Europe have the people had the experience of being taxed for civil expenditures only. In England, as Mr. L. T. Hobhouse observes:[3] "The proceeds of expanding revenue flow into the War Office and the Admiralty, and it is with difficulty that social reformers snatch something on the way. . . . It is this constant increase which hamstrings measures for the internal development of the country, and cripples every effort to alleviate the widespread misery of the masses."

For behind the "Great Illusion" looms the "Great Debt," and both are necessary results of the intricate and futile diplomacy which underlies the affairs of Europe to-day.

[3] *Atlantic Monthly,* March, 1912, p. 351.

The "Mirage of the Map"

By the "Mirage of the Map"[4] is meant the fallacy that national importance is measured by extent of territory. "In the days" says Norman Angell, "of the sailing ship and the lumbering wagon dragging slowly over all but impassable roads, for one country to derive profit from another it had to administer it politically. But the steam engine, the railway, the telegraph have profoundly modified the problem. In the modern world political dominion is playing a more and effaced rôle in commerce. It is the case with every modern nation that the outside territories it exploits most successfully are precisely those of which it does not own a foot. Even with Great Britain, the greater part of her over-seas trade is done with nations which she makes no attempt to "own," control, coerce, or dominate. She has ceased to do any of these things with her colonies. . . . The modern German exploits South America by remaining at home. German colonies are colonies '*pour rire.*' The Government has to bribe Germans to go to them. Her trade with them is microscopic. If the 20,000,000 people who have been added to Germany's population since the war had to depend on their country's political conquest, they would have had to starve. . . . Germany draws more tribute from South America

[4] Norman Angell, *London Daily Mail,* November 14, 1911.

than Spain which has poured out mountains of treasure and oceans of blood in its conquest. These (South American states) are Germany's real colonies. . . . The immense trade they represent owes nothing to the diplomat, to the Agadir incidents, to Dreadnaughts. It is the unaided work of the merchant and manufacturer."

In carrying the French flag and the French debt over Algiers, Tunis, Morocco, Sahara, and Soudan,—about two-fifths of all Africa,—France has gained nothing in population or wealth. After thirty years in Tunis, she has established a colony of 25,000 Frenchmen. This exactly corresponds to the yearly loss of population in France, "the real France," which grows less every year. "The diplomats can point to 25,000 Frenchmen living artificially and exotically under conditions inimical to their race, as expansion and as evidence that France is maintaining her position as a great power. . . . There are to-day more Germans in France than there are Frenchmen in all the colonies that France has acquired in the last half century and German trade with France outweighs enormously the trade of France with all French colonies. France is to-day a better colony for Germans than any exotic colony which France owns.

" 'They tell me,' said a French deputy 'that the Germans are at Agadir. I know they are in the Champs Elysées.' " And Paris is a much better place for doing business than Morocco.

Professor Delbruck, a leading German Imperialist, in the "Preussische Jahrbücher," explains and defends the spirit of the "mirage of the map." Germany we are told desires not isolated over-seas possessions but "a vast continuous area which is purely German." It must stretch somewhere from ocean to ocean and it must be ruled by an "aristocracy of German planters and merchants" which will evoke "a German-African national pride." It is freely admitted that no economic gain can arise from the control of this domain. The desire for it rests solely on racial feeling. Mr. H. W. Massingham from whom we have taken the above quotations compares this to the involuntary reflex movements of an animal organism deprived of its directive nerve centers. "Nations continue to act on a given impulse long after the living thought of a people has advanced beyond the motives which inspired the action, precisely as a frog will go on moving after its brain is removed . . . . To be a governing aristocracy among naked tribes and to see German descend to be the peers of semi-civilized negroes is not a dream which allures us by its esthetic charm. Already it admits its own intellectual pallid. It has shed its economic fallacies. It has dropped the argument from material advantage. It stands frankly on a basis of sheer sentimentality." (The Nation, London, March 15, 1913.)

The Hidden Trail of Diplomacy

Through all these matters of colonial expan-

sion, there runs a sinuous trail of diplomatic intrigue. The secret treaty[5] is the bane of Europe, because the people have no control over it, and its existence is made known only through its unpleasant reactions. In physics it is recognized that a current of electricity will set up counter currents in conducting bodies which lie parallel to it. Something of this kind takes place with the currents of intrigue. Parallel with the main line of diplomacy and contrary to it are two other lines, each of the same nature as the first.

The main trail leads from Berlin to Vienna, then down the Adriatic and through the Balkan capitals to Constantinople. Here effort centers in the Great Bagdad Railway with its direct threat at India, to which it is much the shortest route, and its indirect menace to Egypt on the one hand and to Persia on the other. This great military highway built by a German Syndicate on a concession from the Turkish Government to the German Empire was to lead across the Taurus Mountains down the rich but wasted valley of the Euphrates, past Bagdad, Nineveh and Babylon to the Persian Gulf.

To the eastward runs another hidden line of intrigue from St. Petersburg across the Caucasus,

[5] One of the wisest provisions of the Constitution of the United States is that requiring confirmation of treaties by the open vote of the Senate. This involves delay, an element of safety, and it insures publicity, which makes diplomatic intrigue an impossibility.

involving Persia, Turkestan, Mongolia, North Manchuria, and whatever else is exploitable along the whole Russian frontier. To the westward, a similar line of secret agreements extends from London to Paris, Rome and Athens and across to Delhi, coöperating at times with the underground schemes of Russia and at all times crossing and thwarting the secret designs of Germany. Two lines of intrigue met at Morocco, and in the arrangements of both it seems to be agreed that Italy for her part should at her convenience take possession of Tripoli. In the one stroke of the annexation of the half-forgotten principality of Koweit,[6] the diplomacy which we may call British

[6] The essential facts in the Koweit affair are as follows: The Sultan Abdul-Hamid had granted to the government of Germany a concession of land on which to build a railway from Constantinople diagonally across Turkey to the Persian Gulf. This would cross the Taurus Mountains to Adana and Aleppo, then proceed to Nineveh on the Tigris, thence to Bagdad and Babylon to Koweit. The concession also included navigation rights on the Tigris, Euphrates and Shat-el-Arab, besides access to the richest of oil lands and of wheat-fields in the Valley of Mesopotamia. Koweit, on the Persian Gulf, is an "insignificant cluster of mud huts." Its Sheik, a half-independent Arab vassal of the Sultan, was visited some years ago by a British officer. According to report the gunboat which brought him from India was generously provided with presents, as well as with flagstaffs and the Union Jack. It did not take long to persuade the Sheik that it was for his advantage to come under British protection. In this fashion was Koweit annexed to the British Empire. Thereupon the German Foreign Office was promptly notified that the terminus of the Bagdad Railroad would be on British soil. It was therefore suggested that the road

achieved a distinct advantage, unless we count the sacrifice of moral values involved in assisting at the loot of Persia. Koweit constitutes the only possible terminus for the Bagdad Route and when it passed under the British flag the costly railway was halted[7] at the Taurus Mountains. By further consenting to the effacement of Persia, England has saved that nation from the danger of German domination by turning her over bodily to the military despotism of Russia. For it is claimed that a self-governing Persia "would be simply a plum to be picked by the owner of the Bagdad Railway at his convenience." A secondary ramification of diplomacy is the fair-weather alliance with Japan. Another is the zeal for conscription aroused in Australia and New Zealand.

be made neutral, British and Germans to share in its management and construction. Work was immediately stopped and the line still extends no farther than Eregli, in the Taurus Mountains. If completed it would form a route to India much shorter than that by the Suez Canal. It was therefore regarded as a "military menace" to the British occupation of India, as well as to Egypt and Persia. It is not easy for a layman to see any reality in this alleged "menace." Besides the reasons for believing that a war between Great Britain and Germany is impossible, we have the difficulties involved in a very long range attack on an entrenched antagonist. The German army would be needed at home. If ever an attack were to have been made on England, it would seem as if the time of the Boer war offered the best opportunity. It was probably morally, as well as financially, impossible then, as we trust that it is to-day.

[7] In essentially the same fashion, the British "Cape-to-Cairo" line has been blocked by German influence in Africa.

In the war-scares evolved in these regions, Japan, four thousand miles away, is the only evocable spectre.

"Powers" or Jurisdictions?

The mediæval conception of a nation, still extant in Europe, is that of a "Power," its importance being determined by the physical force it can exert on other nations.

Our ultimate conception must be that of a simple jurisdiction either as an individual unit or else as composed of confederated states. In this view, the boundary line represents merely the limit of jurisdiction. That jurisdiction ceases does not imply probability of violence between the people on the two sides nor require fortification for the purpose of repelling violence. The Canadian boundary is an example of this meeting of states not as powers but as jurisdictions.

This four-thousand-mile line, ranging through all kinds of territory and all sorts of conditions, disputed nearly all the way "with all the brutal frankness common to blood relations,"[8] has for nearly a hundred years not known a fortress, a soldier, a warship or a gun. It is a peace boundary, the limit of the jurisdiction of one self-governing nation, the beginning of that of another. It lacks but one thing to make it ideally perfect, the removal of the custom-house, the emblem of national suspicion and greed, the remnant of the

[8] Dr. James A. MacDonald.

days when it was considered good economics for a nation to "have its taxes paid by foreigners." Entirely similar to this in all regards is the long boundary of Mexico. This we have to defend, it is true, not against Mexicans but against the predatory excursions of our own law-breakers.

The states in a federal union meet as jurisdictions. The small ones have no fear of the large ones and those not touching the sea suffer in no way from their restricted position. A "Power" hampered as is the state of Illinois would chafe against its limitations, and its jingoes would talk of fighting their way to the ocean. But viewed as a jurisdiction, surrounded by similar jurisdictions, the people of Illinois have no consciousness of their limitation.

Germany a Case in Point

Viewed as a "Great Power," in the mediæval fashion, the German Empire is hampered on every side. Her scant sea-coast is split in two by the presence of Denmark. Her German Rhine discharges itself through Holland. The ports of Amsterdam, Rotterdam, Antwerp and Ostend, geographically hers, are occupied by alien people whom she could crush out in a moment, were it not for the physical force of the rest of Europe and the moral force of the world. Of Poland, she has too much or too little.[9] A large part of

[9] "Wir haben Polen genug auf dem Wagen." (A German Journal.)

the German people live in the alien empire of Austro-Hungary and in the republic of Switzerland, while after forty years of possession, she scarcely owns Alsace or Lorraine. She is hemmed in everywhere by the scars of old struggles, to her perennial discomfort. For this reason, she suffers from the "Drang nach Osten," she seeks a road to the Persian Gulf, an empire over seas, and every form of imperial extension to lands "under the sun," which may for the moment seem plausible or possible.

But Germany as a *jurisdiction* suffers none of these limitations. Her powers are only those which are needed for the people's good. They are merely her public duties. It matters nothing that her sway is checked on almost every side before it reaches the sea. Other jurisdictions intervene, and each of these looks after the public needs of man, which are mostly justice, conservation, education, sanitation and peace. As one of the "Great Powers" of the world, Germany (with her fellow states as well) is a center of friction, injustice and unrest. Viewed as a jurisdiction, the administration of Germany is worthy of the highest praise, and no enlargement of boundaries would enhance her usefulness. When the nations cease to be "Powers," great and small, and become fellow-citizens of a civilized world, this fact will mark the reign of peace.

The power and extent of a nation bear no relation to its prosperity, that is, to the welfare of

its individual citizens, except as the debt and waste through which "power" establishes itself may be harmful to the people of which the nation is composed. "There is no welfare of a nation apart from the well-being of its people." [10]

England and Germany as Rival "Powers"

A conspicuous example of the rivalry engendered between great nations still viewed as "Powers" is found in the present relations of England and Germany. Between these nations as intelligent, civilized and progressive peoples there is no reason for enmity. As a matter of fact, except as an aftermath of war scares and serpentine diplomacy no such enmity exists. No responsible person on either side, King, Kaiser, Reichstag or Parliament, desires war. All realize that a fight between these two most powerful, most determined and most advanced of nations would involve the entire world in indescribable calamity. And we know that the whole influence of commerce, of labor, of education on both sides is unalterably opposed to armed conflict. Behind all this, as we believe, the Unseen Empire of Finance, the natural order of business, has decided that such a conflict shall never take place.

Nevertheless, the old idea of the function and duties of a "Power," with its burden of debt, its necessity for armament and its mischief-making diplomacy, has kept these two nations for years on the apparent verge of war. Some

[10] Eikichi Kamada, President of Keio University, Tokyo.

phase of this menace will endure until we clarify the common conception of what a nation is for.

Why Talk of War?

The trouble in each nation comes from the alleged wickedness of its neighbors. Each tells the same story, "The waning fleet of England is tied to its shores by German menace"; "The small but efficient fleet of Germany is solely for defense of Germany's growing commerce." More explicitly, on March 16, 1911, there was prepared the following statement signed by Eickhoff, chairman of the German Committee for "Peace and Arbitration," also endorsed by fifty-one members of the German Reichstag and thirty-four members of the Prussian Diet, as well as by the Count of Schwerin-Lowitz, President of the Reichstag and by the Prince of Schoenaich-Caroleth.

The statement (translated) reads as follows:

"It is the opinion of the undersigned that because of the interests involved in the close international interdependence existing in the finance and commerce of the world, Germany holds its army and navy in readiness only as a means of protection against any attack, but not as a means for aggressive warfare (nicht aber um einen Angriffskrieg zu führen)."

In England it would be easy to get an array of distinguished names after any statement of similar tenor. It could be done in any nation. War is the last thing the statesmen want, although

it is the first thing for which they prepare. Neither nation could gain much by victory, while in the end there would be no material choice between that and defeat. The British would still own England, the Germans Germany, whatever the trend of events. Not an Englishman (contractors, armament-builders and "ghouls" excepted) would be the richer for the downfall of Germany. Not a German but would be the poorer for the destruction of England's credit.[11]

The toilers of the world are everywhere opposed to war and to debt. The Labor Unions are almost a unit in this regard. The Socialist groups

[11] "How far are we removed from the glorious days when Bismarck could glibly talk of bleeding France white with the satisfactory assurance that not a German would be the poorer in consequence, and that on the contrary the German state would immensely gain thereby." By "the social Law of Acceleration . . . Bismarck was nearer to being able to apply the methods of Attila, nearly 1,500 years removed from him, than we are to being able to apply the methods of Bismarck, from whom only 40 years separate us. . . .

"But surely we must realize that in the end the Government *is* the world of affairs, in the sense that the general trend of its policy must sooner or later be determined by the interests and the necessities of the mass of the people from which it derives its power, its money, its general capacity to act with efficiency and precision—a modern war of all things involves that capacity which must be derived from acting in the long run in connection with the great currents, economic and moral, of its time and people. It is not possible for any great state taking an active part in the life of the world to do otherwise. The state simply is powerless before these currents."—(Norman Angell, "Influences of Banking on International Relations.")

take the same stand against international war, though many of them advocate another kind, the struggle of "class consciousness." The Social Democracy of Germany,[12] pledged in opposition to monarchy as well as to militarism, has arisen as an inevitable reaction from the policy of "the Mailed Fist." As for the rank and file, they are mere incidents in the movement of diplomacy; not the principals, merely the victims or, at most, pawns to be moved in the game of national glory. Hidden forces control their activities, and their lives are spent to no purpose known to themselves. The Prime Ministers and Ministers of War are never on the firing line. The pawnbrokers, promoters, and camp-followers are also well to the rear. To risk their own lives would also risk the profits. "The rich man's war, the poor man's fight, this," says Carl Schurz, "was the Winged Word" among the poor whites of the Tennessee mountains.

Professional Interest a Factor

There can be no doubt that in every navy, many of the wardroom officers look beyond their dreary routine of futile repetitions to the time when they can make use of their costly

[12] In the recent German election, January 12, 1912, the Social Democrats polled over seven millions of votes as against less than five millions cast by other parties. In every district but one in Berlin including Potsdam itself, they were successful. The result is significant of the great reaction in Germany.

training. So in looking forward to the day of action there may be first a selfish element. War means a chance for promotion, a chance to rise from the nameless roll into the rank of the idols of the hour.

A higher impulse arises from the professional spirit. When a man devotes his life and energy to a calling, he may naturally wish to practise it, in a degree at least. It is true some of the ablest advocates of peace are found among men who know what war is and who realize that it must disappear in the onward movement of civilization. But the average European officer feels the spirit of militarism. He takes his profession seriously, and at a value set by the money expended on it. For the cost either in money or in blood, he cares little. Of the cost in money, he knows little: he has nothing to do with taxes. Of the cost in blood, he knows little more, only a very small percentage of European military men having ever seen a battle. Militarism has always held itself superior to civil affairs and lightly regarded the life of the individual. Napoleon is reported to have said: "A soldier like me cares not a tinker's damn for the lives of a million men."

There exists moreover the scientific desire to test, in some way, the teaching of the books in military affairs. Changes in armament mean great changes in tactics, but these have never been formulated or tested. They can be tested only in the laboratory of actual war. It is there-

fore not strange, and it is perhaps no reproach to the young officers that they toast, "Der Tag," as the day of their release and their opportunity.

A Grotesque of History

The persistence of mediæval traditions of war and glory in an age of science, commerce and reason has produced an extraordinary confusion of effort and motive without a parallel in the history of the world. This condition can be viewed only as a part of the necessary stages in the passing of war.

Zangwill says, quoting from a supposititious future-day Chinese historian: "Like a sloughing snake, the West lay sickening; the new skin of commercialism only half put forth, the old skin of militarism only half put off. A truly piebald monster, this boasted civilization of ours. On the one hand, a federation of peoples eagerly strengthening one another; on the other hand, packs of peoples jealously snapping at one another. A sextet of nations styling themselves Great Powers, all with vast capitals invested in developing one another's resources, were yet feverishly occupied in watching and cramping the faintest extension of one another's dominions. A more ironic situation had never been presented in human history, not even when Christianity was at its apogee. For, whereas, in the contest between Church and Camp, it was simple enough to shelve the Sermon on the Mount; in the contest

between Commerce and Camp both factors were of equal vitality and insistence. The result of this shock of opposite forces of development were paradoxical, farcical even. In the ancient world there had been the same struggle for supremacy, but the Babylonians or the Egyptians did not build up each other's greatness. The Romans did not lend money to the Carthaginians, nor did Hannibal sell the Roman elephants. But in this era the nations fought by taking up one another's war loans. In lulls of peace they built for one another the ships they would presently be bombarding one another with. The ancient mistress of the world never developed a country till it belonged to Rome. The mediæval rival mistresses were all engaged in developing countries which belonged to their rivals, or to which they might one day themselves belong. In brief, two threads of social evolution had got tangled up and tied into a knot, so that neither thread could be followed clearly. It was death to give away your country's fortifications—at a percentage. It was high treason to help the enemy in war time, but you could sell him your deadliest inventions if your Government offered less or waived you aside. And you manufactured those weapons and exported them to the enemy by the million so long as he had not given you notice that he was going to fight you next week. Quite often a nation was hoist with its own petards and no sooner had you devastated your enemy's country

than you lent him money to build it all up again. In vain shells hissed and dynamite exploded. The stockbroker followed ever on the heels of the soldier and the grass of new life (and new loans) sprang up over the blackened ruins. Indeed, nations, instead of being extinguished in the struggle for political existence, because they were too weak to pay their debts, had to be kept artificially alive in order to pay them."

VIII. RETRENCHMENT

In these pages we have tried to indicate the present relations of the nations to war and peace. We have shown how peace has followed in the wake of debt, and how the rule of the war-lord has given place to that of the money-lender, and this in turn to the operation of the ordinary laws of finance. We have shown that nations have lived beyond their means to a degree that cannot be permanent. We shall further see that the demands of peace must arise to contest with war the right to "the fruits of progress." The way into debt lay through heedless extravagance. The way out lies through a reversal of policy, a return to forethought and frugality.

Functions of Government

Until well along in the nineteenth century, war and diplomacy constituted practically the sole business of government. The force of tradition still gives them the right of way in almost every country. The present organization of every government in the world is based on the mediæval theory [1] that war is a natural function of a nation, not a moral, physical and financial catas-

[1] The conception was thus formulated by Machiavelli: "A prince ought to have no other aim or thought, nor select anything else for his study than war and its rules of discipline, for that is the sole art that belongs to him that rules."

trophe. In our own country, the President is Commander-in-chief of Army and Navy, with a Secretary of each in his Cabinet. It is not humanly possible for any one of these three to reduce the range of power his office represents. In almost all other nations the force of militarism is still more dominant. For these reasons, competing civil interests have never been able adequately to establish themselves anywhere. The sums devoted, the world over, to all civil purposes range in amount from one-fifth to less than one-half those devoted to military affairs.

A remedy for all this lies in the exaltation of the civil functions of government, the safeguarding of the common rights and interests of men in the promotion of justice, sanitation and education and in the conservation of public properties, together with the fostering in all effective ways of art, science and invention. Positive efforts along these lines rather than direct attacks on the waste of militarism may indicate the way out. The formation of a high commission which in statesmanlike fashion can consider actual facts in the scheme of national defense, with the relative values of those needs on which money may be expended, will give the surest solution of our problem in America.

Expenses Unchecked

One of the most disheartening features in popular government everywhere is the absence of all

machinery to check expense. Even an empty treasury does not count. There is always some way to negotiate a loan. This absence of check is especially notable in the case of the army and navy. Their expert demands are beyond the understanding of the common man. By ministries and parliaments their estimates are accepted practically without question. No finance minister anywhere has thus far maintained himself against them, with the single exception of Yamamoto in Japan.

The "watchdog of the treasury" receives no support from his fellows or his constituents, and his work for retrenchment marks him for political extinction.[2] Thus it happens that the United

[2] This is illustrated in the recent experience of Wermuth in Germany: "But the guardian of the finances of the Empire, Herr Wermuth, has gone, without a word of thanks for his services from his Imperi master. . . . The civilian goes and the warrior remains. There is something symbolical in this for the political situation of Germany and of the world of so-called Great Powers. . . . The true reason of Herr Wermuth's resignation lies deeper. It is not the dispute about one particular tax. Enough has leaked out to make it evident that the whole system of spending money and preparing further expenditure as practised at present has found a decided opponent in the former Chancellor of the Exchequer. He was certainly not in principle an antagonist of armaments; but he appears to have fought strongly against the reckless increase of expenditure on them. . . . The story of the naval madness in Germany furnishes an instructive example of how certain plants themselves create the conditions of their growth. With the increase of the German navy, the number of officers of the navy has increased too, so that to-day perhaps five or eight times more middle-class families have

States in time of peace, with nothing save peace ahead, spends $800,000 a day in military operations,—not counting interest and the removal of men from productive enterprise. No clear evidence of the need of this has ever come before the people. The world over, as we have shown, each nation finds itself in the same ruinous competition, with the same ignorance of any reason why these conditions should exist.

It is a reproach to the people of China that, suffering as they have for ages from the misuse of irresponsible power and from the form of taxation known as the "squeeze," they have until lately never attacked the system, rising only at intervals against the individuals who have abused it. The same reproach holds against the people of Europe. They have floundered for a century in the morass of debt, war-waste and poverty, but while there have been bread-riots and tax riots, strikes, "sabotage" and "syndicalism," the people have made no adequate stand against the

sons or near relatives in the navy than fifteen years ago, and consequently take a much larger and more direct interest in all questions referring to it. This accounts also for the small resistance offered by the middle classes to the proposed increase. Hence the only quarrel of the middle class parties in regard to this question relates to the method of paying for it." (Ed. Bernstein, London *Nation*, March, 1912.) With each expansion of naval armament goes a corresponding extension of the numbers of those consciously or unconsciously interested in promoting naval expenditure, and this influence is cast on the side of still greater debt and waste.

system of military expenditure which is one of the primal sources of economic troubles.

The United States and Retrenchment

The recent "Pageant of the Ships" on the Hudson River was regarded by some of us as a mighty illustration of the force of a free people, a great awakener of patriotism, and a glory of democracy. To others it represented the most costly monument ever reared to the spirit of heedless waste. There is perhaps some middle ground on which we may meet.

No one may question the necessity for a small but effective army and a navy also small but with the best of necessary equipment. There is certainly some justification for protecting our great coast cities, but many of us see no reason for fortifying the Panama Canal nor the port of Honolulu. There is no nation on earth that has either the will or the money to attack us. On the other hand we see in international friendship, international commerce and freedom from international debt, weapons stronger than any fortress or navy. If in America we can safely retrench, if we ought to retrench and dare to retrench, it will ultimately solve for the world the whole problem of debt and militarism.

Let us consider this matter somewhat in detail. Civil wars aside, our nation has been three times engaged in war, each time of its own initiative. Leaving out the War of 1812, in some

degree an aftermath of the Revolution, we have only the wars with Mexico and with Spain. The Mexican war no one now pretends to justify. It was an affair of spoliation in the interests of slavery. That beneficent results followed in no way justifies its purpose.

The primary motive in our differences with Spain was one of sympathy for a much abused people. The usual processes of "military pacification" [3] familiar in Asia and Africa and going on to-day in Persia, Armenia and other unfortunate regions, were being practiced at our own doors. It was natural and righteous to protest. But this need not have involved war. It certainly did not involve war, for it is a matter of record that before war was declared, our Minister to Spain had secured assent to a treaty granting all we had a right to ask, all in fact that we did ask,—namely full autonomy to Cuba and arbitration of all differences, including the disaster of the Maine.

[3] For a statement of facts as to "military pacification" in some other regions see "Bella! Bella! Horrida Bella," a masterpiece of moral indignation, by Mr. F. J. Corbet, in the *Westminster Review*, March, 1902. Also "Pax Britannica in South Africa," by Francis P. Fletcher-Vane, and "The Captain Sleeps," in the present author's "Imperial Democracy." For the close relation between a standing army and the "White Slave Traffic," see "Queen's Daughters in India," by Elizabeth Andrews and Katherine Bushnell, and also Mr. Corbet's article mentioned above. See also "Indiscreet Letters from Peking," by B. L. Putnam Weale. "History," says Mr. Weale, "is made, only to be immediately forgotten."

Whatever else we may say of that war, we cannot assert that before it began, we were exposed to the danger of Spanish aggression.

We are not exposed to aggression from any quarter. As the wealthiest nation on earth, we have business allies in every capital. In spite of our tariffs, we are the world's best customer. Unlike the great nations of Europe, we have not overdrawn our accounts. We spend as much each year as the best of them—or the worst—but our debt is small and our reserve surplus is gigantic. If we had no navy whatever, no nation could afford to attack us. For we are protected in isolation, in wealth, in relative freedom from debt, in the absence of entangling alliances and entangling enmities, in having no fallen dynasties to restore and no defeats to avenge, in being—as a whole—fully competent, through commerce, through industry, through alliance by blood and alliance of friendship to banish all consideration of war.

Moreover, the United States has a defense in her moral strength, an influence strained a few times to be sure by lapses real or apparent, yet on the whole persistent and potent. To have stood fairly consistently for peace and fair play is in itself a guarantee against wanton attack even if we had no other defense. Were the United States to make war on any power of Europe (a wholly absurd proposition), it could not under present conditions invade the enemy's territory,

nor inflict much damage on its people or its property. The United States in wealth, population and resources stands far above the strongest of the European powers, but she could not successfully attack any of them on their own ground. Conditions of warfare have changed since the days of Napoleon, and Napoleon fought on land because by his own avowal he could not control the sea. The most the United States could do was exemplified in the war with Spain. She could, pirate-fashion, capture a few merchant ships, doing some injury to her enemy's commerce and to her own (carried mostly in European bottoms) and she might dislodge the occupants of a remote dependency. All of which is based on the imaginary possibility that this nation may again forget herself and resort to the crude and brutal arbitrament of war, when so many other ways are simpler, cheaper and more honorable.

Furthermore, under any conditions, the United States, with or without a navy, is in its turn effectively defended against any attack from Europe.

In a recent article,[4] Captain Alexander G. McClellan, an English authority, expresses strongly his belief that naval expenditure is a menace to the nation responsible for it and that the United States, for example, would be amply defended against any attack from Europe, even with no navy at all.

[4] A British View of American Naval Expenditure, *Atlantic Monthly,* January, 1911.

The whole coast-line is admirably adapted for defense and our important harbors are protected by shore guns which no fleet could face or silence. Even should these fail, no fleet would dare enter a harbor guarded by submarine vessels, torpedoes and floating mines, with purposely misplaced buoys and beacons. No city of importance stands on an unprotected bay, and no enemy's squadron would waste its precious strength on fishing villages and seaside resorts. No nation could maintain a successful blockade and none could do much damage in the robbery of our merchant ships, because most of these, thanks to our protective shipping laws, already fly the British or the German flag. For any nation to land and maintain an army on our shores, as Captain McClellan clearly shows, is quite impossible. "The nation which could fight a war like the Civil War, without even a standing army worth speaking of and divided against itself, has little to fear from any army of invasion, even though it should gain admittance into the country."

Captain McClellan further observes: "My arguments are logical, and therefore I ask: Is America justified in spending about $150,000,000 yearly on her navy, when the most powerful antagonist that we can put against her cannot do damage enough to require that sum to set it right again, in one year? I think not! . . .

"But the question whether the American fleet could be destroyed or not, could not in the least

affect the final result, when one takes into consideration the infinitesimal amount of damage which an enemy's fleet could do, were there no American fleet on the spot to stop it. That small damage in no way justifies America's present naval expenditure, or even the existence of her navy at all.

"Nothing in the world can justify America in building a fleet strong enough to tackle Japan single-handed on the Pacific, or a fleet strong enough to tackle single-handed any European naval power on the Atlantic. It would mean keeping her navy up to a two- or three-power standard all the time. Will American extravagance run to this? If not, why play at owning a navy to satisfy vanity? Why pay away one hundred and fifty millions of dollars a year on the navy when it is practically helpless, because it lacks the vital support of a merchant marine? The all-around-the-world trip which an American fleet made a couple of years ago would have been an impossibility without the help afforded by British and German colliers. Not one American merchant-Jack's ensign could be seen in attendance on the naval ships during the whole cruise. This was commented upon by the chief in command—Admiral Evans. Not very palatable reading, is it? Remember, it applies to the country with the finest navigable coasts, harbors, and rivers in the world!

"There is still another important point of view

to consider, and it is this: Britain's and Germany's merchant marines are chiefly composed of deep-water—foreign-going—ships, while American merchant ships are chiefly engaged in the coastal and inter-coastal trade. Again, Britain depends upon her merchant ships for the means to live; America does not. In case of war and blockade, her coasters could tie up in harbor, coil down their ropes, and wait for peace. The work they do could be carried on by railroads.

"Turn now to American commerce. Here lies another great advantage of America. She can afford to stand by and snap her fingers at any nation, no matter what the size of its navy. In the first place, her position as a producer makes her absolutely independent of all nations: other nations must come to her, and not she to them, for necessities. This being the case, she is in a position to retaliate without firing a shot, should offensive measures be taken against her. Again, where two such countries as Britain and Germany depend upon America for the employment of a great part of their shipping, war with either is a remote possibility. America, not owning a deep-water merchant marine, need fear no captures or destruction in this direction. Should America carry on a war with Germany, what would happen to her over-sea commerce? Simply nothing! During these times of too much merchant tonnage, British ships would be only too glad to take American products anywhere; and so would

German vessels in case of an Anglo-American war. Thus we see that if America went to war with either country, the damage would be confined to a few unimportant towns on the coast, and her over-sea commerce would reach its destination just as merrily as ever. Peace also has its victories, and the country which warred with America would find that after war had ceased, her ships would have little left to pick up in the way of cargo. A revival of old trade relations would not come with the declaration of peace, but it would take years of keen competition to regain the lost ground.

"Would it not be better if America voted less on naval ships and just a little on merchant ships? The latter would bring millions into the treasury, while the former only take millions out. It would prove a profitable investment, I am sure.

"If in the march of civilization we need the help of battle-ships and 12-inch guns, then I say that our civilization is rotten, and will not last. I am confident that the day is not far off when the people of America, at least, will oppose the needless waste of millions. The preparations for war which need never come about, only suggest childish folly which must be thrown aside.

" 'Mailed fists' and huge standing armies and navies are out of date. . . . As a plain sailor who has seen all the mighty navies of the world, I say in plain language that they stand only to mock us and prove our civilization a sham.

. . . The man in America, or even in Europe, who thinks that this craze can last, or is bound to culminate in a war, has a poorer opinion of his fellow men than I have."

From these and other considerations, it is evident that no foreign nation could inflict on the United States an injury comparable to the cost of the present upkeep of the American Navy. It is also evident that a nation attacking the United States would work, through derangement of finance and commerce, an injury to itself greater than it could inflict on us.

We have next to inquire from what direction we may expect attack. We are on the best of terms officially with every nation. No nation for half a century has ever seriously suggested making war upon us. We have had in the past no foreign wars save of our own choosing. There was never a time when our people were so determinedly set on peace. Where then is our antagonist?

Not Great Britain, that is certain. We are bone of her bone and Canada, between us, is drawn by the closest ties to both. There have been in the past English statesmen, scornful of plebeian America, and American politicians whose function it was to "twist the British Lion's tail." We have been sometimes swayed or apparently swayed by Irish influences. We have been vexed by "a certain condescension from foreigners" and we have resented the bombast of British Imperial-

ism, too much like our own. But all this has been skin-deep, and the ties that bind us to England may not be severed. With or without a treaty, we shall never have a difference with her that cannot be settled by arbitration.

Is it France? Assuredly not. Here again we have a multitude of ties and no hint of estrangement. No armament-lobbyist or other disturber of society has ventured to suggest a possible clash between the two great republics.

What then of Germany? Germany and the United States have a thousand reasons for friendship and not one for enmity. Nearly one-fourth of our people are of German blood and Germany has furnished full share of our leading men. Our higher education owes more to German scholarship than to all other foreign influences whatsoever. The interweaving of business and commerce between Germany and the United States is scarcely less complex than the nexus which joins us to England. The great commerce represented by the North German Lloyd and the Hamburg-American Company deals chiefly with the United States. England's quarrels are not ours. Moreover, we do not believe that England has any real quarrel with Germany.[5]

[5] In the midst of futile noise and nagging diplomacy, it is most refreshing to read the noble and scholarly address delivered by Viscount Haldane, British Secretary of State for War, at the University of Oxford on August 3, 1911, entitled "Great Britain and Germany, a study in National Characteristics." This is a most truthful and sympathetic

But the Monroe Doctrine, some may say, does not this gall Germany by restricting her colonial operations to Africa and Asia? If so, Germany has given no indication of being vexed. Commercially she controls South America already, if we may use the word "control" for a relation which rests on mutual benefit. Her merchants have seen their opportunity and they have used it. The same chance is open to any nation. The German trade would gain nothing from the annexation of any South American state.

But South Brazil is becoming German. Will not these provinces revolt and throw themselves under the protection of the German flag? There are no visible signs of any such intention, no likelihood of the dismemberment of Brazil, no desire to become part of German Imperialism. The "mailed fist," and the "spiked helmet," the emblems of German imperialism, have no attraction to the German trader. He prefers to carry on his business under a less exacting flag than that of the Fatherland. I have yet to find a German who attaches the slightest importance to this matter. It is certainly too remote to enter into our military and naval calculations. Even if it demanded consideration, the boycott is a weapon more effective than the sword. But we may note in passing that sword and boycott alike are two-edged, cutting both ways at once.

discussion of the real relations, altogether friendly, of the people of the two nations.

Is our enemy among the smaller nations of Europe? To ask the question is to answer it. The one item of the tourist trade goes far to pardon any lapses on our part in international courtesy.

Is it Russia? We deprecate the Russian treatment of Jews, of Persians, of Finns—and for that matter of Russians—but no one dreams of fighting about it. At long range, moral suasion is our strongest weapon.

Have we an enemy in South America? No military expert will ever admit it, but every commercial expert recognizes that we might to advantage go farther in the promotion of friendships with these Latin nations.

Only Japan is left and to point her out as our rival and our enemy is the most criminal folly of all. The Japanese are fond of saying: "The Pacific Ocean unites our nations, it does not separate." The leaders of Japan are largely men educated in the United States, and thoroughly imbued with our traditions of college loyalty. Japan recognizes the United States as her nearest neighbor among Western nations, her best customer and her most steadfast friend. It is said of Korea that through the ages her face was toward China, her back toward Japan. Through the ages, the face of Japan has been toward Asia. Her present ambitions and her financial interests lie now in the reclaiming of Korea, in the safeguarding of her investments

in South Manchuria and in the part she must yet play in the future of China. For her own affairs she needs every *yen* that she can raise for the next half century. She would not if she could organize an expedition against us and she could not if she would.

A Way to Retrench

We believe that the public opinion of the nation is turning away from war. This means sooner or later an abatement. But in our present machinery of government there is no point where public opinion impinges on the matter of national expense. That this is a "billion-dollar nation," spending that incalculable sum each year on its civil and military affairs, seems a matter rather of pride than shame, even though we are told on very high authority that one-third of this sum is absolutely wasted.

Following the model of our Tariff Board, there should be in the United States a High Commission composed of statesmen and economists who should decide, as civilian citizens, on the aim, extent and purpose of national defense. This done, a committee of military experts should determine ways and means to accomplish these necessary results.[6]

[6] Since writing the above, I have learned that the Secretary of War has suggested a somewhat similar plan. This involves the creation of a National Council of Defense, composed of two members of the Cabinet, four Senators, four Representatives, two Army and two Navy officers. It shall be the duty of this Commission to sug-

Besides the gigantic cost of armament there is another sort of waste in connection with national defense, for which the officials of army and navy are not in the remotest degree responsible. This consists in extravagant multiplication of navy yards and army posts at the demand of local pride or local greed, through the efforts of "log-rolling" Congressmen.

General W. W. Wotherspoon[7] estimates that the elimination of those useless expenditures which have been forced on Congress by local demands would effect a reduction of more than half the present cost of maintenance of the army. A proper condensation of army posts would reduce the cost of these establishments from $42,300,000 to $21,132,000 and the annual cost of upkeep from $846,720 to $211,680. A similar reorganization of the Navy Yards, as urged by the Secretary of the Navy, would effect a still larger reduction.

An officer of the army once said to the writer: "It is no part of the work of military experts to determine what places need defense, but to spend

gest "a broad and comprehensive military and naval policy for the country." In the composition of this body, it is said "there lies no desire that military opinion should prevail in its deliberation."

The appointment of such a Commission would be a great step toward making our military expenditures rational as well as economical, though it would seem to me that the non-official public should also be represented, and perhaps by a majority in the commission.

[7] *The Independent,* February 15, 1912, p. 343.

to the best advantage whatever sums may be assigned to any given purpose. If we are directed to fortify Honolulu, we shall plan the most perfect defense possible for the money and under the conditions."

Readjustment of Values

It is necessary that we should undertake a readjustment of our estimate of relative values in our functions of government. Matters of the most vital moment pass unheeded, while sums which would meet almost every need which government can satisfy are voted for items of militarism, apparently without a second thought.

For example, we have in the band of "white slavers" [8] an international group of the worst kind of criminals who form a menace to every family in our land. The sum now provided yearly for protection against them would keep us in smokeless powder for a day and a half. The whole infamous traffic the world over could be exterminated for the cost of a third-rate battleship.[9]

The enemies that threaten our society are within, not without. The artistic completeness of the work of defending our shores against impos-

[8] The term "White Slave" was originally and aptly applied to military conscripts, according to Frédéric Passy. It was used in 1867, by Emile Girardin, and it originated with the Emperor Napoleon III.

[9] At the present writing, this sum is said to be less than $15,000. However, in the current appropriation bill of 1912, $250,000 has been asked for.

sible enemies should, if necessary, wait until we can make some better start on our moral and physical sanitation. The danger from foreign foes is a mere nightmare reminiscence of mediævalism. The danger from the "White Slaver" and the "Red Plague" surrounds us on every side.

In this connection we may mention the need of a national university. Every great capital in the world, London and Washington alone excepted, maintains as a matter of course, a correspondingly great university. Since the days of Washington who gave his fortune to Congress to this end, the project has been under discussion. With each succeeding Congress it has been set aside because the millions necessary could not be spared from the cost of national defense.

Such a center of advanced work is in itself a national defense. It would utilize for our enlightenment the great riches of our capital in science, art, statistics and libraries. It would furnish a reservoir of experts who could be drawn upon in all activities of government in which special training is required: it would call from other lands advanced students of the workings of democracy. Lastly it would furnish to the social life of Washington the element not now adequately developed, of men of character and scholarship permanently at home, to whom the petty incidents of politics and the fate of appropriation bills are not the objects of first interest.

In the recasting of values the need of a national university should have a leading place.

It should be the place of the university at Washington to demonstrate with Professor Huxley that the day has come when civilized nations must "discard their old weapons to make way for the new ones forced upon us by the growth of knowledge and the rush of commerce." "We are in the presence," Professor Lockyer [10] reminds us, "of a new struggle for existence, a struggle which once commenced must go on till the fittest survive. It is a struggle in which science and brains take the place of swords and sinews. The school, the university, the laboratory and the workshop are the battlefields of this new warfare."

The real strength of a great nation does not lie in its belated militarism, developed at the cost of an unceasing burden of debt. It rests on the lives and character of its men, their ability to work to the best advantage morally and economically and their power to assimilate and to utilize the garnered and classified experience of the race.

In his famous address on the "Moral Grandeur of Nations" at Boston in 1845, Charles Sumner showed that the battle-ship *Ohio*, then at anchor in Boston Harbor, had far exceeded in cost the greatest of our educational institutions. The en-

[10] *Nature*, Sept. 1903.

dowment of Harvard College at that time was $703,175, its annual budget $47,935. The *Ohio* had cost $834,845; its annual upkeep was $220,000.

Harvard University, still our greatest seat of learning, has grown immeasurably in six decades. Her endowment has now risen to $24,323,618, mostly from the grateful gifts of those who have been her students; her annual expenses to more than two million and a quarter. She has in fact far outrun the *Ohio* of 1845, though I believe that a new *Ohio* of costlier build is still in the service. I do not know what the new *Ohio* cost, but it will take half the endowment of Harvard University in a few years to replace it, while the entire endowment of Harvard College in Sumner's time would not pay its upkeep for a single year. And before long it must go unused and unremembered to the junkheap, while the influence of the University has permeated and permanently ennobled Christendom. This influence in all its ramifications in America to-day has a value beyond all question or comparison.

The need of battle-ships may be great—as to this we have yet to be convinced. But there can be no question as to the need of universities.

Chief Business of Government

The chief business of government should be no longer war and diplomacy. It should be, to fall back on the definition of Aristotle, restated in

similar terms wholly independently by Abraham Lincoln, to establish justice among men and to do those things of common necessity which collective action can accomplish better than private enterprise.

But in the past and in the present, it is certainly true that the most costly and most absorbing business of government has been war preparation. Government by Congress or by Parliament is still too often a device by which the people pay for what they do not want, and at times for what they do not get. "I cannot help thinking of you as ye deserve, O ye Governments," said Thoreau. "The only government that I recognize, and it matters not how few are at the head of it or how small its army, is that which establishes justice in the land, never that which establishes injustice."

The chief "national defense" which any nation needs to-day, is protection from the enemies within itself. Such protection is possible only through a broad statesmanship which sees the end from the beginning, and from beginning to end will strive for the welfare of its people.

The "grandeur of nations" is measured not by their extent on the map; not by their population or wealth nor their apparent military or naval supremacy; nor yet in the long run by their universities, their arts or their sciences. Emerson says "America means opportunity." That nation is great which to its rank and file means

opportunity and which further breeds men capable of seizing the opportunity it offers. First then they must be free from crushing burdens of debt. Next they must live in peace. War implies everywhere a reversal of the processes of natural selection. Broadly speaking, in war the strongest are destroyed, the men best fitted to be the parents of the new generation.

IX. THE PASSING OF WAR

The Future of War

In the majestic work of Jean de Bloch[1] on war and its future, the foundation of the modern peace movement, it is shown that international war has become a physical impossibility. The term war in that sense, as Bloch himself observed,[2] does not apply to "frontier brawls nor to punitive operations or trumpery expeditions against semi-barbarous people."

"The war of the future, the war which has become impossible, is the war which has haunted the imagination of mankind for the last thirty years, the war in which great nations, armed to the teeth were to fling themselves with all their resources into a struggle for life and death. This is the war that every day becomes more and more impossible . . . alike from a military, economic, and political point of view. The very development that has taken place in the mechanism of war has rendered war an impracticable operation. The dimensions of modern armaments and the organization of society have rendered its prosecution an economic impossibility, with finally the inevitable result of a catastrophe which would destroy all existing political organi-

[1] In Russian, Ivan Stanislavich Blioch.
[2] In an interview with Mr. William T. Stead.

zations. Thus, the great war cannot be made, and any attempt to make it would result in suicide."

Bloch concludes his discussion with the demonstration that:

"If the present conditions continue, there can be but two alternatives, either ruin from the continuance of the armed peace, or a veritable catastrophe from war.

"The question is naturally asked: What will be given to the people after war as compensation for their immense losses? The conquered certainly will be too exhausted to pay any money indemnity, and compensation must be taken by the retention of frontier territories which will be so impoverished by war that their acquisition will be a loss rather than a gain.

"With such conditions can we hope for good sense among millions of men when but a handful of their former officers remain? Will the armies of Western Europe, where the Socialist propaganda has already spread among the masses, allow themselves to be disarmed, and if not, must we not expect even greater disasters than those which marked the short-lived triumph of the Paris Commune? The longer the present position of affairs continues the greater is the probability of such convulsions after the close of a great war. It cannot be denied that conscription, by taking from productive occupations a greater number of men than the former conditions of

service, has increased the popularity of subversive principles among the masses. Formerly only Socialists were known; now Anarchism has arisen. Not long ago the advocates of revolution were a handful; now they have their representatives in all parliaments, and every new election increases their number in Germany, in France, in Austria and in Italy. It is a strange coincidence that only in England and in the United States, where conscription is unknown, are representative assemblies free from these elements of disintegration. Thus side by side with the growth of military burdens rise waves of popular discontent, threatening a social revolution.

"Such are the consequences of the so-called armed peace of Europe—slow destruction resulting from expenditure on preparations for war, or swift destruction in the event of war—in both events, convulsions in the social order."

A Way Out

The way out of war will open, the world over, with the enlightenment of public opinion, with the extension of international law and the perfection of the International Courts at The Hague. This machinery of Conciliation is created by public opinion, and with its more perfect adjustment, the force of public opinion behind it will grow steadily more insistent. Little by little in the thought of men war is erased from the list of possibilities. Its crude and costly conclusions

become less and less acceptable, and the victories of peace more and more welcome, and more and more stable.

The fact that a better way of composing differences exists is, in itself, a guarantee that no serious differences shall occur. For, as a rule, wars do not arise from the alleged "causes of war." These "causes" are almost wholly mere pretexts after war has been determined on. "Affairs of honor" between nations are worthy of no more respect than "affairs of honor" among men. In either case, an adequate remedy is found in a few days or months of patience, and in the adjustments of disinterested friends. This we call arbitration, and its supreme virtue with nations as with individuals, lies in its being unlimited.

In our own country, at present, there opens a door of escape from the waste of war preparation. This, as we have already suggested,[3] lies in the appointment of a civil commission which shall give a definite purpose to our plans of national defense. No one can justify gigantic expenditures, blindly undertaken. It is surely not necessary for us to strive for ideal perfection of defense against unknown and imaginary foes. It is surely unnecessary to pour out $800,000 a day (not counting pensions nor interest) simply because two other nations are doing the same, and still three others would keep step if

[3] See page 167.

they could. Nor should we act from year to year on the advice of interested parties solely, "muddling along" through sheer inertia without a look forward to our final aim.

Such an aim a commission of statesmen could furnish. With its help we should justify our ways or else change them. No one can doubt that to justify we must needs also change, in what way or in what degree perhaps no one can now foretell. But this at least is certain: if the United States should find for herself a definite policy, building no more fortresses, dreadnaughts, or destroyers until her best minds are convinced that these are needed, such action would go far, very far, toward solving the problems of debt-ridden Europe.

The Passing of War

The passing of war is marked by many conditions both incongruous and disconcerting, as I have already tried to set forth. From the standpoint of Social Evolution, these erratic and fantastic phenomena are all necessary stages in a world process—the change from the rule of force to that of law. On the one hand we note the persistence of mediæval traditions and their consequences, the burden of debt, the unwieldy and ruinous body of armament, the "war scare," the overlordship of the "pawnbroker," the sinuous trail of secret diplomacy, the

"Great Illusion" and the "Mirage of the Map."

On the other hand, and parallel with these, we remark the fraternity of trade, the unification of banking, the internationalism of art, science and invention, the steady extension of humane sentiments and the crystallization of world congresses and world courts. It has been observed that the different nations of Europe have yielded up their sovereignty and that they are now but "Provinces of the Unseen Empire." This phrase referred to the subservience of debt, but it is true in another and more honorable sense. They are in fact but provinces in the unseen empire of civilization. The world has become an intellectual unit. The thoughts of all men are the common property of all. In like fashion the world has become an economic unit. The currents of business flow through all nations alike. Whatever disturbs one part of the organism affects all others. The boundaries of nations really signify no more than the boundaries of counties or states. Only our outworn diplomacy and the enmities it engenders serve to conceal this fact.

It is easy to see that these are days of transition. The past is losing its hold. The future has yet to make its grasp complete. And from the larger point of view we see that these various conditions could not have come together at any earlier stage in the history of the world. A hun-

dred years ago, these combinations would have been unthinkable.

A hundred years hence, the combinations of to-day will be equally incredible. The motives behind our present war preparation will then seem as remote as to us now are the motives behind the great Crusades.

Mankind does not linger over impossibilities. The coat-of-mail vanished from European history all at once, when men realized that it had no further effectiveness. The war equipment of to-day will disappear scarcely less promptly when men see clearly the changes which have made it futile and absurd. In the fine and true words of Admiral Winslow: "No matter is so trivial that nations will not go to war over it, if they want to go to war. No difference is so weighty that it cannot be quietly settled if nations do not wish war."

Science has slain War. Rather it has forged the weapons by which War has slain itself. It remains for Finance to give it a decent burial.

APPENDIX

TABLES OF DEBT AND EXPENDITURE

Following are tables [1] illustrating the cost of armament and other matters of expense of the leading nations of the world. Of these, tables A to M are the work of Mr. Arthur W. Allen, certain additions to table A having been made by Mr. Clayton D. Carus.

[1] These tables have been separately printed by the World Peace Foundation under the title of "The Drain of Armament."

TABLE A.

THE INTEREST BEARING DEBTS OF THE PRINCIPAL NATIONS.

Country	Date	National debt	Approx. annual interest charge	Figures obtained from:
Austria-Hungary	Jan. 1, 1911	$ 3,612,389,000	$ 144,496,000	Almanach de Gotha '12
Belgium	do	740,681,000	21,249,000	do
Bulgaria	do	122,040,000	5,992,000	do
Denmark	April 1, 1911	90,682,000	2,545,000	do
France	Jan. 1, 1910	6,286,435,000	192,762,000	do
Germany	do	1,224,158,000	41,981,000	do
German States	do 1911	3,607,061,165	132,942,000	do
Great Britain	April 1, 1911	3,389,577,000	101,060,000	do
Greece	Jan. 1, 1911	155,823,000	6,233,000	do
Italy	July 1, 1909	2,614,183,000	92,145,000	Statesman's Yearbook, 1911
Netherlands	Jan. 1, 1912	465,295,000	12,886,000	Almanach de Gotha, 1912
Norway	July 1, 1910	86,386,000	3,024,000	do
Portugal	Jan. 1, 1911	818,578,000	28,650,000	do
Roumania	April 1, 1910	315,966,000	12,639,000	do
Russia	Jan. 1, 1911	4,507,071,000	180,283,000	do
Servia	do	135,886,000	6,115,000	do
Spain	do	1,886,221,000	75,448,000	do
Sweden	do	145,105,000	5,079,000	do
Switzerland	do	24,360,000	853,000	do
Turkey	Sept. 13, 1911	508,981,000	20,359,000	Rept. of Sir Adam Black 1911
Totals		$30,736,878,165	$1,086,741,000	

United States	July 1, 1911	915,353,000	21,311,000	U. S. Treas. Rept. '11
Canada	do	336,268,546	10,290,696	
Argentina	Jan. 1, 1911	531,858,000	26,593,000	Almanach de Gotha '12
Brazil	do	654,303,000	32,715,000	do
Chile	do	175,000,000	8,750,000	do
Colombia	do	16,622,000	831,000	do
Costa Rica		19,963,924	295,113	do
Cuba		48,296,585	1,980,507	
Ecuador	July 1, 1910	22,000,000	1,100,000	do
Guatemala		19,095,801	1,700,865	
Honduras		121,666,775	10,486,678	
Mexico	July 1, 1911	219,537,000	10,977,000	do
Paraguay		5,027,141	(payment ceased)	
Peru	1909	8,400,000	462,000	
Salvador		12,035,397	1,812,665	
Uruguay	Jan. 1, 1911	134,229,000	6,711,000	do
Venezuela	Jan. 1, 1911	39,300,000	1,179,000	
Australia		1,184,192,157	29,594,251	
China		601,916,605	92,375,016	
Japan	April 1, 1911	1,325,198,000	59,312,000	Almanach de Gotha '12
Korea		18,297,238	1,280,806	
New Zealand		346,439,001	10,645,075	
Persia		26,534,500	1,326,475	
Siam		19,466,000	875,970	
Grand Total		$37,537,877,835	$1,419,346,117	

TABLE B.

THE WORLD'S MILITARY EXPENDITURE.

England and the Continent of Europe.

Country	Fiscal year	Expended for army	Expended for navy	Total military charge (exclusive of interest, pensions, etc.)
Austria-Hungary	1911	$ 73,513,000	$ 13,731,000	$ 87,244,000
Belgium	1911	11,987,000	.....	11,987,000
Bulgaria	1911	7,928,000	.....	7,928,000
Denmark	1911-12	6,053,000	3,044,000	9,097,000
France	1911	[1] 187,632,000	83,286,000	270,918,000
Germany	1911-12	203,938,000	114,508,000	318,446,000
Great Britain	1910-11	138,800,000	203,020,000	341,820,000
Greece	1911	4,262,000	1,703,000	5,965,000
Italy	1911-12	[2] 81,033,000	39,643,000	120,676,000
Montenegro	1911	38,000	.....	38,000
Netherlands	1912	12,120,000	8,146,000	20,266,000
Norway	1910-11	3,798,000	1,460,000	5,258,000
Portugal	1910-11	8,592,000	3,997,000	12,589,000
Roumania	1911-12	13,856,000	.....	13,856,000
Russia	1911	265,642,000	54,128,000	319,770,000
Servia	1911	5,402,000	.....	5,402,000
Spain	1911	37,671,000	13,696,000	51,367,000
Sweden	1912	15,314,000	7,251,000	22,565,000
Switzerland	1911	8,785,000	.....	8,785,000
Turkey	1911-12	42,071,000	6,223,000	48,294,000
Totals		$1,128,435,000	$553,836,000	$1,682,271,000

[1] Including gendarmes.

[2] Including Carabinieri.

United States, Japan, and British India				
United States	1910-11	162,357,000	120,729,000	283,086,000
Japan	1911-12	49,196,000	43,405,000	92,601,000
British India	1910-11	100,099,000	.....	100,099,000
Totals		311,652,000	$164,134,000	$475,786.000
Mexico and South America				
Argentina	1911	10,583,000	8,236,000	18,819,000
Brazil	1911	24,520,000	20,431,000	44,951,000
Chile	1910	9,852,000	7,653,000	17,505,000
Colombia	1911	1,900,000	.....	1,900,000
Ecuador	1909	.....	.....	1,500,000
Mexico	1911-12	.....	.....	10,700,000
Peru	1910	.....	.....	5,400,000
Uruguay	1910	.....	.....	3,000,000
Venezuela	1910-11	.....	.....	1,500,000
Totals				$105,275,000
World Total				$2,263,332,000

TABLE C.

EXPENDITURES OF THE TEN CHIEF MILITARY NATIONS.

Country	Fiscal Year	Expended for Army	Expended for Navy	Total military Charge	
France	1911	187,632,000	83,286,000	270,918,000	Almanach de Gotha, 1911
Germany	1911-12	203,938,000	114,508,000	318,446,000	
Great Britain	1910-11	138,800,000	203,020,000	341,820,000	
Italy	1911-12	81,033,000	39,643,000	120,676,000	Statesman's Year-Book, 1911
Japan	1911-12	49,196,000	43,405,000	92,601,000	
Russia	1911	265,642,000	54,128,000	319,770,000	Almanach de Gotha, 1911
Austria-Hungary	1911	$ 73,513,000	$ 13,731,000	$ 87,244,000	
Spain	1911	37,671,000	13,696,000	51,367,000	
Turkey	1911-12	42,071,000	6,223,000	48,294,000	Statesman's Year-Book, 1911
United States	1910-11	162,357,000	120,729,000	283,086,000	U. S. Treas. Report, 1911
Totals		$1,241,853,000	$692,369,000	$1,934,222,000	

TABLE D.

COST OF ARMY PER UNIT OF FIGHTING FORCE FOR THE TEN CHIEF MILITARY NATIONS.

Country	Fighting Force	Cost of Army	Cost per man
Austria-Hungary	396,000	$ 73,513,000	$ 186
France	582,000	187,632,000	322
Germany	626,000	203,938,000	326
Great Britain	[1] 262,000	[1] 138,800,000	[1] 530
Italy	291,000	81,033,000	279
Japan	[2] 225,000	49,196,000	[2] 219
Russia	1,250,000	265,642,000	212
Spain	115,000	37,671,000	328
Turkey	[2] 375,000	[2] 42,071,000	[2] 112
United States	85,000	162,357,000	1910
Totals	4,207,000	$1,241,853,000	$ 295

[1] Regular army only; deducting about $19,600,000 appropriated for Reserves and Territorials, the average, per man of the regular force is about $455.
[2] Uncertain.

TABLE E.

COST OF ARMY AND NAVY PER UNIT OF POPULATION, FOR THE TEN CHIEF MILITARY NATIONS.

Country	[1] Population	Army & Navy	Cost per unit of population.
Austria-Hungary	51,000,000	$ 87,000,000	$1.70
France	39,000,000	271,000,000	7.00
Germany	65,000,000	318,000,000	4.90
Great Britain	45,000,000	342,000,000	7.60
Italy	35,000,000	121,000,000	3.45
Japan	52,000,000	93,000,000	1.79
Russia	160,000,000	320,000,000	2.00
Spain	20,000,000	51,000,000	2.55
Turkey	22,000,000	48,000,000	2.18
United States	92,000,000	283,000,000	3.07
Total	581,000,000	$1,934,000,000	$3.33

[1] World Almanac, 1912.

TABLE F.

PROPORTION OF MILITARY CHARGES TO TOTAL GROSS EXPENDITURES [1] IN TEN LEADING NATIONS.

Country	Total Expenditures	Army & Navy	%
Austria-Hungary [2]	$890,656,000	$ 87,244,000	09.8
France	877,292,000	270,918,000	30.9
Germany	731,286,000	318,446,000	43.5
Great Britain	997,410,000	341,820,000	34.3
Italy	500,595,000	120,676,000	24.1
Japan	284,452,000	92,601,000	32.5
Russia	1,360,054,000	319,770,000	23.5
Spain	224,526,000	51,367,000	22.9
Turkey	154,033,000	48,294,000	31.4
United States	654,138,000	283,086,000	43.3
Totals	$6,674,442,000	$1,934,222,000	29.0

TABLE G.

GROWTH OF EXPENDITURES FOR ARMY, 1881-1911, FOR SEVEN NATIONS.[1]

The estimated total for thirty years is obtained in all cases:

1. By averaging the amounts at the beginning and end of each decade;
2. By averaging the three amounts thus obtained;
3. By multiplying the final average by thirty.

Country	1881	1891	1901
Austria-Hungary [2]	$ 61,827,000	$ 58,645,000	$ 59,726,000
France	113,597,000	141,694,000	138,723,000
Germany	91,075,000	120,964,000	167,588,000
Great Britain	75,126,000	88,640,000	[2] 307,500,000
Italy	40,585,000	56,484,000	54,232,000
Russia	90,783,000	123,326,000	162,012,000
United States	38,117,000	44,583,000	134,775,000
Totals	$511,110,000	$634,336,000	$1,024,556,000

[1] Interest on national debt, pension charges and other war matters not belonging to the immediate cost of militarism, are not included under "Army and Navy Expenditures." For example, in the United States the sum of $161,710,367 was paid out for pensions in 1909, and about $21,000,000 as interest on war debt. The total war expenditures for 1909 were thus about $462,000,000, or about 69½ per cent. of the total expenditure. The total expenditure in some nations includes items charged in others to local expenses. (D. S. J.)

[2] This is probably larger than it should be. It is difficult to separate the Imperial expenses from those chargeable to the two separate nations. (A. W. A.)

	1911	Excess over 1881	Estimated total for 30 years
Austria-Hungary	$ 73,513,000	$ 11,686,000	$ 1,860,410,000
France	187,632,000	74,035,000	4,310,315,000
Germany	203,938,000	112,863,000	4,360,585,000
Great Britain ..	138,800,000	63,674,000	3,031,030,000
Italy	81,033,000	40,448,000	1,715,250,000
Russia	265,642,000	174,859,000	4,635,505,000
United States..	162,357,000	124,240,000	2,295,950,000
Totals	$1,112,915,000	$601,805,000	$22,209,045,000

TABLE H.

GROWTH OF EXPENDITURES FOR NAVY, 1881-1911, FOR SEVEN NATIONS.

Country	1881	1891	1901
Austria-Hungary ..	$ 4,355,000	$ 5,672,000	$ 8,698,000
France	42,557,000	43,754,000	65,857,000
Germany	11,434,000	23,470,000	38,195,000
Great Britain	51,130,000	68,935,000	137,615,000
Italy	8,870,000	24,293,000	24,477,000
Russia	13,098,000	21,880,000	46,799,000
United States	13,537,000	22,006,000	55,953,000
Totals	$144,981,000	$210,010,000	$377,594,000

	1911	Excess over 1881	Estimated total for 30 years
Austria-Hungary..	$ 13,731,000	$ 99,376,000	$ 234,130,000
France	83,286,000	40,729,000	1,725,325,000
Germany	114,508,000	103,074,000	1,246,360,000
Great Britain	203,020,000	151,890,000	3,336,250,000
Italy	39,643,000	30,773,000	730,265,000
Russia	54,128,000	41,030,000	1,022,920,000
United States	120,729,000	107,192,000	1,450,920,000
Totals	$629,045,000	$484,064,000	$9,746,170,000

[1] These are the only nations that present a fair basis of comparison since 1881.

[2] Reckoned as $107,500,000 in estimating total for 30 years, to allow for extraordinary expenditures in Boer War.

TABLE I.

GROWTH OF COMBINED EXPENDITURES FOR ARMY AND NAVY, 1881-1911, FOR SEVEN NATIONS.

Country	1881	1891	1901
Austria-Hungary	$ 66,182,000	$ 64,317,000	$ 68,424,000
France	156,154,000	185,448,000	204,580,000
Germany	102,509,000	144,434,000	205,783,000
Great Britain	126,256,000	157,575,000	445,115,000
Italy	49,455,000	80,777,000	78,709,000
Russia	103,881,000	145,206,000	208,811,000
United States	51,654,000	66,589,000	190,728,000
Totals	$656,091,000	$844,346,000	$1,402,150,000

	1911	Excess over 1881	Estimated total for 30 years
Austria-Hungary	$ 87,244,000	$ 21,062,000	$ 2,094,540,000
France	270,918,000	114,764,000	6,035,640,000
Germany	318,446,000	215,937,000	5,606,945,000
Great Britain.	341,820,000	215,564,000	6,367,280,000
Italy	120,676,000	71,221,000	2,445,515,000
Russia	319,770,000	215,889,000	5,658,425,000
United States.	283,086,000	231,432,000	3,996,870,000
Totals	$1,741,960,000	$1,085,869,000	$32,205,215,000

TABLE J.

[1]THE GROWTH OF DEBT, 1881-1911, OF THE FIVE GREAT MILITARY NATIONS OF EUROPE.

Country	1891	1891	1901
[2] Austria-Hungary	$1,607,800,000	$ 2,914,876,000	$ 3,219,830,000
France	3,972,407,000	6,400,000,000	6,011,079,000
[3] Germany	43,804,000	308,377,000	555,738,000
Italy	1,746,921,000	2,248,200,000	2,451,000,000
Russia	1,225,000,000	1,797,365,000	3,112,000,000
Totals	$8,595,932,000	$13,668,818,000	$15,349,647,000

[1] Interest bearing debt only. Issues of paper money are not included.

[2] Austrian Empire, Austria proper and Hungary proper combined. Since 1867 no loans have been contracted by the Empire.

[3] German Empire only. Prussia alone has a separate debt of nearly $2,400,000,000.

	1911	Excess over 1881
[2] Austria-Hungary	$3,612,389,000	$2,004,589,000
France	6,286,435,000	2,314,028,000
[3] Germany	1,224,158,000	1,180,354,000
Italy	2,614,183,000	867,262,000
Russia	4,507,071,000	3,282,071,000

TABLE K.

GROWTH OF INTEREST CHARGE, 1881-1911, OF THE FIVE GREAT MILITARY NATIONS OF EUROPE.

Country	1881	1891	1901
Austria-Hungary	$ 65,108,000	$116,595,000	$128,793,000
France	149,681,000	256,000,000	249,073,000
Germany	1,752,000	12,335,000	18,525,000
Italy	69,900,000	89,818,000	96,000,000
Russia	55,125,000	90,881,000	140,065,000
Totals	$341,566,000	$555,629,000	$632,456,000

	1911	Excess over 1881	Estimated total for 30 years
Austria-Hungary	[1] $144,496,000	$ 79,388,000	$ 3,501,900,000
France	192,762,000	43,081,000	6,762,945,000
Germany	41,981,000	40,229,000	527,265,000
Italy	92,145,000	22,245,000	2,668,405,000
Russia	[1] 180,283,000	125,158,000	3,386,500,000
Totals	$651,667,000	$310,101,000	$16,847,015,000

[1] Estimated at 4%.

[1] TABLE L.

THE FIVE GREAT MILITARY NATIONS OF EUROPE; COMBINED COST OF ARMIES AND NAVIES WITH INCREASE OF INTEREST CHARGES DURING THIRTY YEARS.

Country	Armies and Navies	Increase of interest charges due to increased debt.	Total.
Austria-Hungary	2,094,540,000	$1,548,660,000	$ 3,643,200,000
France	6,035,640,000	2,272,515,000	8,308,155,000
Germany	5,606,945,000	474,705,000	6,081,650,000
Italy	2,445,515,000	571,405,000	3,016,920,000
Russia	5,658,425,000	1,732,750,000	7,391,175,000
Totals	21,841,065,000	$6,600,035,000	$28,441,100,000

[1] See Tables VI to X inclusive.

TABLE M.

APPROPRIATIONS OF THE UNITED STATES.

	Military	Revolutionary pensions	Indian dept.	Naval
1791	$ 947,166.96	$ 280,443.32	$ 40,000.00	$ 33,327.00
1792	1,118,527.91	87,463.60	.....	2,000.00
1793	1,068,376.52	82,245.32	100,000.00	.....
1794	4,090,669.25	80,239.55	12,942.77	768,888.82
1795	1,063,121.29	85,357.04	50,500.00	.....
1796	1,139,614.00	114,259.00	229,000.00	5,000.00
1797	1,440,641.20	96,350.00	19,000.00	487,000.00
1798	4,051,730.95	102,067.07	115,880.00	2,024,712.00
1799	3,243,649.00	93,400.00	207,500.00	3,823,789.89
1800	3,272,020.35	93,000.00	69,500.00	2,482,953.49
Totals to 1815	$109,691,304.22	$2,569,824.90	$4,150,160.53	$56,228,760.78

Total appropriations from 1789 to 1815 ..... $404,633,083.03

EXPENDITURES OF THE UNITED STATES.

Expenditures from March 4, 1789, to December 31, 1791 ..... $632,804.03

	Military	Pensions	Indian Dept.	Naval.
1791	$ 632,804.03	$ 175,813.88	$ 27,000.00	$ 570.00
1792	1,100,702.09	109,243.15	13,648.85	53.02
1793	1,130,249.08	80,087.81	27,282.83	.....
1794	2,639,097.59	81,399.24	13,042.46	61,408.97
1795	2,480,910.13	68,673.22	23,475.68	410,562.03
1796	1,260,263.84	100,843.71	113,563.98	274,784.04
1797	1,039,402.66	92,256.97	62,496.38	382,631.89
1798	2,009,522.30	104,845.33	16,470.09	1,381,347.76
1799	2,466,946.98	95,444.03	20,302.19	2,858,081.84
1800	2,560,878.77	64,130.73	31,031.22	3,448,716.03
Totals to 1815	$102,274,843.19	$2,176,346.90	$3,256,865.66	$53,528,303.93

Total expenditures from 1789 to 1815 ..... $378,447,443.69

Figures were taken from the American State Papers—Finance, Vol. II, pp. 920-21.

TABLE N.

EXPENDITURE OF THE PUBLIC MONEY IN THE UNITED STATES.

1899—1912 INCLUSIVE.

SUMMARIZED EXCERPT FROM THE REPORT OF THE SECRETARY OF THE TREASURY FOR THE FISCAL YEAR ENDING JUNE 30, 1912.

Civil and miscellaneous, exclusive of postal deficiencies	$1,940,997,424.25
Indians	199,293,750.18
Interest on the public debt	376,592,387.59
War and Navy Departments	3,352.733,079.82
Pensions	2,049,057,661.30
Total ordinary disbursements, exclusive of postal deficiencies	$7,918,674,303.14

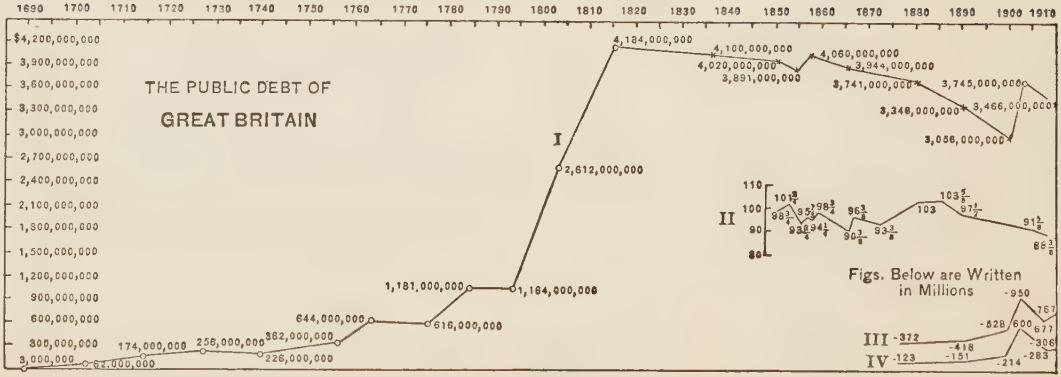
If we eliminate from the above grand total the expenditures for pensions, which as an inheritance from the past are in a class by themselves and unrelated to the present conduct of the government, either civil or military, we have a remaining total in round numbers of about $5,870,000,000 expended during the fourteen years since the Spanish War. Of this amount some $3,353,000,000 has been charged to the War and Navy Departments, and if from this we deduct an estimated possible total of, say $453,000,000 expended by the War Department for rivers and harbors, etc., we have a total expenditure for fourteen years,

For the army and navy, of about	49.4%	$2,900,000,000
For purely civil purposes, of about	50.6%	2,970,000,000
Total (excluding pensions)		$5,870,000,000

That is, about one-half of our outlay for the present conduct of government is for the army and navy. If to the net cost of the army and navy for the fourteen years covered ($2,900,000,000) were added the charges for pensions and interest, bringing into one total the present military and naval outlay and the still persisting expense arising from past wars, this combined expense (about $5,330,000,000), compared with the grand total of about $7,919,000,000, would represent 67.3%—civil expenditures 32.7%

THE PUBLIC DEBT OF GREAT BRITAIN.

(Prepared by C. R. Nunan)



I. The public debt of Great Britain. [o. Statesman's Year Book, 1895. x. British Sessional Papers, 1909, Vol. L. Cd. 4657.]

II. Fluctuation of British consols. [Source—Journal de la Société de Statistique de Paris (1909), Vol. 50, p. 365.]

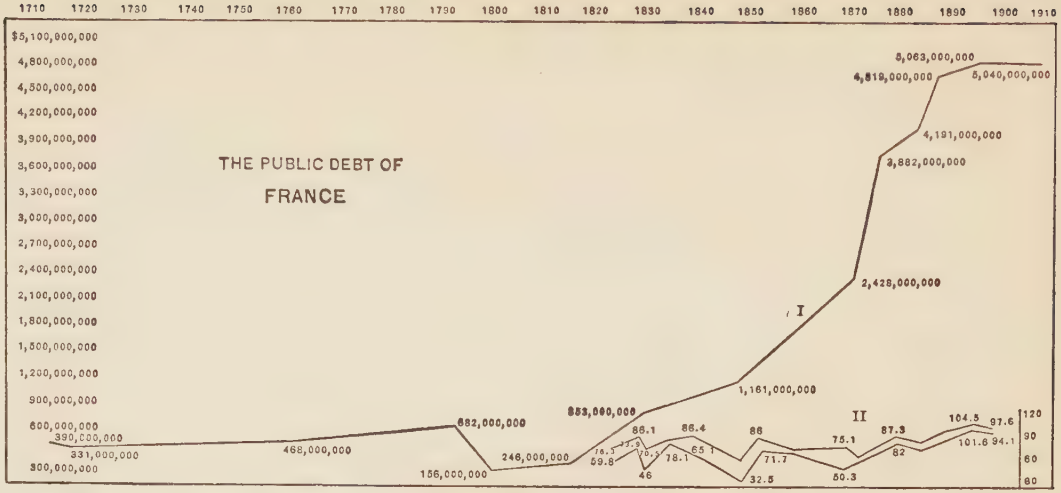
III. Total annual expenditure. [Source—Statesman's Year Book.]

IV. Total annual expenditure for defense. [Source—Statesman's Year Book.]

(The figures for any given year are for the fiscal year ending March 31.)

THE PUBLIC DEBT OF FRANCE.

(Prepared by L. L. Hill)



I. The public debt of France. [Source—British Statistical Abstract, 1908, 323.]

II. Fluctation of French bonds (showing both high and low prices). [Source—Journal de la Société de Statistique de Paris, Vol. 50, p. 369.]

INDEX

INDEX

A

Abdul-Hamid, 138.
Abdur Rahman, on Russia, 67.
Absence of Check on Expenditure, 152.
Abyssinia and Italy, 73.
Acapulco, Fishery Concessions, 119.
Admiral of the Atlantic, 91.
Advertiser, Boston, 197.
Advocate of Peace, 86.
Affairs of honor, 178.
Air full of War, 113.
Alexander VI, 92.
Alien Soldiers breed chronic disorder, 67.
Allen, Arthur W., 185; on national debt, 44.
America means opportunity, 173.
American, Boston, 117.
American Commerce, 161.
Amschel, Mayer, called Rothschild, 9.
Anarchism, 61.
Andrews, Elizabeth, 156.
Angell, Norman, 37, 82, 83, 84, 132, 134, 145; on people's interests, 61.
Antipatriotism, 61.
Appendix, 183.
Argentina, Navy of, 196.
Aristotle, 172.
Armageddon, Cost of, 74, 75, 76, 77.
Armament, burden of, 53; Competition, 86; Syndicates, 111.
Armor Plate Press, 102.
Arms and the Man, 109.
Armstrong, Whitworth & Co., 103, 104.
Army of Japan, 122.
Atlantic Monthly, 133.
Attila and Bismarck, 145.
Australia, debt of, 47.
Australian War Scares, 111, 123.

B

Bagdad Railway, 138, 139.
Banca di Italia, 73.
Bank of England, its psychological reserve, 69.
Banking, and International Relations, 145; and Pawnbroking, 14, 85; and War, 83; as sensory nerves of Society, 84.
Baring, House of, 14.
Bastiat on War as an ogre, 54.
Battleship Ohio, 172.
Beardmore & Co., 103.
Beaten Men of beaten races, 98.
Belated Militarism, 90.
Bella, Bella, Horrida Bella, 156.
Bernhardi, General von, 90.
Bernstein, Ed, 154.
Birkbeck Bank, 30.
Bischoffheim, House of, 15.

Bismarck, 145; and Napoleon, 111, 15; on French Indemnity, 37.
Blackman, John E, 120.
Bleeding France white, 82.
Bleichröder, 15, 16, 20.
Blioch, Ivan S., 175.
Bloch, Jean de, 175.
Block, Maurice, 39.
Boer War, effect of, 30.
Borrowing, methods of, 51.
Bread wanted, not Morocco, 61.
Brentano, Lujo, 94.
British Admiralty, views of, 94.
British debt, 27, 28, 29, 30.
British Imperialism, 107.
British Ship Lobby, 102.
Brown & Co., 103, 104.
Browne, Edward G., on the Persian Revolution, 64.
Bulletin, Sydney, 123.
Burke, Edmund, 102.
Bushnell, Katherine, 156.
Business of Government, 172.
Butler, Nicholas Murray, 113.

C

Cadaverous odor of lucre, 102.
Calvo Doctrine, 97.
Cammell, Laird & Co., 103.
Camondo, House of, 16.
Campbell, Reginald J., 100.
Canada, Debt of, 47.
Canadian Boundary, 140.
Captain Sleeps, The, 156.
Caribbean Sea, Danger Zone of, 111.
Carnegie, Andrew, 74.
Cartoons of the farmer's burden, 8.
Carus, Clayton D., 185.
Cassel, 20; House of, 18.
Cassius, 113.
Causes of War not vital, 181.
Cement of hypocrisy lacking in Russia, 69, not lacking in England, 69.
Chartered Company of Lower California, 120.
Chauvinism, 125.
Chesterton, Gilbert K., on "Cement of Hypocrisy," 69.
China and the squeeze, 154.
Chronicle, Japan, 121.
Chronicle, San Francisco, 115, 116.
Chuo-Koron on Japanese Taxes, 94.
Churchill, Winston, 104.
Civil functions, exaltation of, 152.
Civil War, 130.
Colonies, 133.
Commerce of America, 161.
Concessions, Mexican, 119.
Conciliation, 177.
Confederate States, debt of, 43.
Consols, value of, 32.
Consortium, Das, 15.
Conspiracy against Japan, 114.
Continuity of British Foreign Policy, 68.
Control of Nations, 62.
Control of the Sea, 92.
Corbet, F. J., 156.
Coronation of King George V, 91.

Cost of Harvard, 172.
Cost of Living, 59; affected by militarism, 60, rise of, due to excessive taxation, 59; rises everywhere, 59.
Cost of national defense, 55.
Cost of small war, 73.
Cost of war steadily rising, 48.
Credit of Europe, 15, 69.
Credit of Nations, 27.
Crimean War, effect of, 30.
Cromwell on source of authority, 6.
Cuba, 156.

D

Daily Mail, London, 134.
Dalny Vostok, 121.
Danger Zone of Caribbean Sea, 111.
Debt and Expenditures of world, 188-199.
Debts of Nations, 186, 187.
Defense not Defiance, 102.
Deferred Payment, 51.
Degeneration of Nations, 98; due to war, emigration or immigration, 98.
Delaisi, Francis, on "Morocco Affair," 70.
Delbrück, Professor, 136.
Deluded fanatics of Peace, 113.
Deutschland und der nächste Krieg, 90.
Dewey, Davis R., on War debt of United States, 43.
Diplomacy, 126, 136.
Disarmament, difficulties in, 127.
Dockyard Strategists, 116.
Dollar Diplomacy, 62.
Drago Doctrine, 97.
Dukes of England, 99.
Dumas, S., on deaths in time of war, 54.
DuPont Powder Company, 110.
Dutch finance, 28.

E

Economic difficulties, 128.
Eickhoff, 144.
Elections in Germany, 146.
Emerson, Ralph Waldo, 173.
Empires, fall of, 126.
Endless Caravan of ciphers, denoting War expenditures, 54.
England and Germany as rival powers, 143.
England's poverty, 100.
England's wealth, 100.
Ententes, and enmities, 69.
Evans, Admiral Robley D., 160.
Evening Post, N. Y., 102, 109.
Exaltation of Civil Functions, 152.
Examiner, Los Angeles, 116.
Examiner, San Francisco, 116.
Exchange of Journalists, 123.
Expenditures of Ten Nations, 190.
Expenditures of World, 188-197.
Expenses unchecked, 152.

F

Fabrique d'Armes Autrichiennes, 108.
Farmer and his Burden, 8.
Fishery Concessions about Acapulco, 119.

Forces working for Expenditure, 106.
Foreign Offices, 127.
Forest, Baron de, 18.
Foster, David J., 114.
Fould, House of, 15, 20.
France and Germany, 82.
France, Burden of Debt of, 23; Debt of, 199; growth of debt of, 32, 33, 34, 35, 36.
Franklin on bad wars, 84.
French Colonies, 135.
French Revolution, 32.
Friendship, with France, 164; with Germany, 164; with Great Britain and Canada, 163; with Russia, 166; with South America, 166.
Future of War, 175.

G

Gadke, Colonel, 125.
Gallatin, Albert, opposed to debt, 42, 45.
Gambetta on the Empty Stocking, 101.
Gare au Bas Vide, 101.
German African ideals, 136.
German Colonies, 134.
German Imperialism, 165.
Germans in Brazil, 165.
Germany and England as rival powers, 143.
Germany and France, 82.
Germany as an unhampered Jurisdiction, 142.
Germany as cramped on all sides, 141.
Germany, Burden of debt of, 24; financial crisis of, 40; growth of debt of, 37.
Germany's alleged intrigues, 116.
Ghosts, international, 123.
Ginn, Edwin, dedication.
Girardin Emile, 169.
God's Test of Nations, 74.
Golay, Henri, 123.
Gold and Silver certificates, 45.
Goldschmid, 20, House of, 16.
Government by the people paying for war, 4.
Government ownership, 27.
Governments, 173; and Waste, 173.
Grandeur of Nations, 173.
Gratitude of Nations, 21.
Great Britain, Burden of debt of, 23; Debt of, 198.
Great Illusion, 132.
Great Powers, 141.
Grey, Sir Edward, 123; on prison doors of debt, 2.
Grotesque of History, 148.
Guérard, Albert L., Preface; on French Banking, 58.
Günzburg, House of, 16, 17.

H

Hablu'l-Matin, 64.
Hague Conference, 93.
Hague Courts and Conferences, 177.
Haldane, Viscount, 164.
Hands across the Sea, 106.
Harvard College and the Ohio, 171, 172.
Hawaii, 111.
Hearn, Lafcadio, on taxes of Japan, 94.
Heck, George, 115.
Hessian Troops, 10.
Hidden Trail of Diplomacy, 136.

High Commission of Defense, 167.
High Finance for peace, 80.
High Finance, Interests of, 80.
Hirsch, 20; House of, 17, 18.
Hirst, Francis W., 102; On Confusion of Debt with currency, 42; on Credit of Nations, 27; on National Debt, 27.
Hobhouse, Leonard T., 133.
Hubbard, Elbert, on Rothschild, 11.
Hull, William I., on the World's vicious circles, 86; on Sea Power, 86.
Huxley, Thomas J., 171.
Hyena idea of Nations, 90.

I

Illinois as a power, 141.
Imperial Democracy, 156.
Imperial War, 131, 132.
Imperial War Treasure, 77; at Spandau, 37.
Imperialism, 107.
Independent, N. Y., 168.
Indirect Tax, 51.
Indiscreet Letters from Peking, 113.
International Code Signal of Pirates, 102.
International Courts, 177.
International Finance, 5.
International War, 130; at an end, 131.

J

Japan, alleged designs of, 111; and the Armor Plate Press, 166; taxation of, 94.
Japanese fishermen, 112.
Japanese friendship with America, 166.
Japanese Navy, 94.
Jews, and the Millennium, 24; creators of the Bourse, 24.
Johnson, Alvin S., on expenditures, 1; on rise of cost of war, 49; on war waste, 57.
Johnson's Law, 1, 48, 98.
Jordan, Jessie K., Preface.
Jurisdictions or Powers, 140, 141.

K

Kamada, Eikichi, 143.
Kiderlen-Waechter, 82.
King Krupp of Essen, 108.
Kings as borrowers, 6.
Kipling, Rudyard, on the Peace of Dives, 8.
Koweit affair, 138.
Krehbiel, Edward B., Preface.
Krupp, 108.

L

La Argentina, 96.
Labor Unions opposed to War, 143.
Lane, Ralph, see Angell, Norman.
Lea, Homer, 115.
Leo, Heinrich, 112,
Lesser Nations, Debts of, 46.
Liberal Politics, 105.
Life, Editor of, on expenditures, 51.
Lincoln, Abraham, 131, 173.
Lion's Tail, twisting it, 163.
Lloyd-George, David, on fall of consols, 31.
Lockyer, Norman B., 171.
London, as the hopper of incompetence, 100; as the world's clearing house, 100.

Loti, Pierre, 90.
Louis XIV as borrower, 5.
Louisiana Purchase, 132.
Lowell, James Russell, 126.
Lower California, 118.

M

McClellan, Alexander G., 158.
McCullagh, Francis, 102, 103, 108, 109.
MacDonald, James A., 140.
Machiavelli, on the duties of a Prince, 151.
Magdalena Bay, 113, 118, 119, 120, 121, 111; 75,000 Japanese troops located there, 117; six Japanese crab-catchers found there, 119.
Mahan, Admiral E. T., 97, 127.
Mailed fist, 165, 146.
Maine, The, 156.
Massachusetts Commission, report of, 59.
Massingham, H. W., 136.
Mendelssohn, 19.
Mexican Boundary, 141.
Mexican Concessions, 119.
Mexican War, 156.
Militarism entrenched, 106.
Militarism in Argentina, 96.
Military Defences, 169.
Military Expenditures and Progress, 1.
Military Expenses, 169.
Military Expenses of World, 188, 189.
Military Pacification, 156, 67.
Mirage of Map, 61, 73, 134.
Money Power, 22.
Money trusts not discussed, 2.
Mongolian Invasion of Russia, 121.
Monroe Doctrine, 96, 97, 165.
Montefiore, 19.
Monterey, Presidio of, 110.
Moral Grandeur of Nations, 171.
Morning Leader (London), 103.
Morocco Affair, 70, 71, 72.
Municipal debt, 26.
Murray, Sir George, 105.

N

Napoleon, hatred of debt, 35; on human life, 147.
Napoleon III, 169; and Bismarck, 15.
Nation (London), 105, 136, 154; on interest of high finance, 80.
Nation (N. Y.), on Persia, 68.
National Academies not criticised, 3.
National Council of Defense, 167.
National Debt, 6.
National defense, 173, 178, 179; against enemies within, 173, 167.
National vice of England, 69.
Nature, London, 171.
Naval Supremacy of Great Britain, 104.
Navy for protection, not attack, 144.
New Caledonia, 112.
New Zealand, debt of, 47; war scares in, 111.

Nineteenth Century a momentous epoch, 4.
Noda, O., 120.
Norway, ceremonies at Bergen, 91.
Novicow, Jacques, 131.

O

O'Conner, T. P., on Baron Hirsch, 17; on Baron de Forest, 18.
Octroi, 36.
Opportunity, 173.
Orchilla, 119.
Oriental Whaling Company, 119.
Ottley, Sir Charles, 105.
Ouest Railways, 27.

P

Pageant of the Ships, 155.
Parliaments as borrowers, 5.
Passing of War, 175, 179.
Passy, Frédéric, 169.
Patriotic loans, 5.
Patriotic waste, 155.
Pawnbroking and banking, 13, 63, 85.
Pawnbroking, basis of great fortunes, 4.
Pax Britannica in South Africa, 156.
Peace and Solvency, 173, 174.
Peace and the Professor, 113.
Peace establishments, 125, 126.
Peace of Dives, 8.
Peace of Impotence, 126.
Peace of Preponderance, 126.
Péreire, House of, 15.
Perris, George H., 106.
Persia, abuses of, 64, 65, 66; crushing of, 64.
Philippines, 96.
Piracy, abolition of, 93.
Pitt and the last war check, 6; as borrower, 6.
Pitt's last words, 7.
Policy of Patriotism, 110.
Portugal, 92.
Powder, expense of, 110.
Powell, E. A. on achievements of pawnbrokers, 20; on burden of European Debt, 22, 23, 24; on Cassel, 19; on Günzburg, 16; on Hirsch, 17; on Impossibility of War without money, 80; on wealth of Rothschilds, 12.
Powers or Jurisdictions, 140, 141.
Privileges, struggles against, 50.
Professional Interest in War, 146, 147.
Prussia, growth of debt of, 40.
Public Expenses of United States, 196, 197.
Public Opinion (London), 82.

Q

Queen's Daughters in India, 156.

R

Ralli, 19.
Readjustment of Values, 169.
Real rulers of Europe, 80.
Republican Peace Committee, 111.
Retrenchment, 151, 167.

Reversed Situation in War, 174.
Rich Man's War, the poor man's fight, 146.
Riots, against taxes, 154; due to high taxes, 61; for bread, 154.
Rosebery, Lord, 126; on royalty, 83.
Rothschild, house of, 8, 10, 20; rules of house of, 12; wealth of house, 12.
Rothschild, Mayer, 10.
Rothschild, Nathan, founder of high finance, 21; greatest of financiers, 10.
Russell, Lord John, 94.
Russia, War Scares of, 121.

S

Sabotage, 61, 154.
Salt of Death, 112.
Salt of Life, 112.
Sars, Michel, 92.
Sassoon, House of, 19.
Schican Company, 108.
School of Musketry, 110.
Schurz, Carl, 146; on needless war, 3.
Science and the cost of war, 7.
Science and war, 7.
Scientific research and mechanical invention, 4.
Sea Power, 86; and Control of Sea, 92; and Poverty, 99; and the hyena idea, 90; as a nightmare of History, 93; as Ceremonial Decoration, 91; as Insurance, 89; as National defense, 88; as peace maker, 89; as protector of commerce, 89; in Imperialism, 90; purpose of, 87.
Secret Diplomacy, 126.
Secret Treaties, 137.
Seligman, Isaac N., 85.
Servitude, Savagery, and Waste, 107.
Shadow of Conflict, 75.
Shaw, Bernard, on national duty toward bank creditors, 31.
Showerman, Grant, 113; on Armed Peace as sister of war, 54.
Shuster, Morgan, 68.
Smith, Goldwin, on Pitt, 6.
Social Democracy, 146.
Social Unrest, 61.
Socialism, 61.
Socialist groups opposed to war, 145.
Solidarity of Commercial World, 82.
Spain, 92.
Spanish War, 156.
Spendthrift Age, 51.
Speyer, James, 85.
Spheres of Influence, 63, 64.
Spiked Helmet, 165.
Squeezing of taxes, 5.
Stead, William T., 175.
Stern, House of, 16.
Subservience of European peoples, 23.
Sumner, Charles, 171.
Sumner, William G., 125.
Syndicalism, 154.
Syndicates for War, 102.

T

Temple, William, 113.
Thames Ironworks Co., 108.
Thoreau, Henry David, 173.
Toyo Hoge Kaisha, 119.
Transition period, 180.

Treat, Payson J., Preface.
Treaties open not secret, 137.
Tribune, N. Y., on interests of high finance, 80.
Tripoli Affair, 72, 73.
Trusts, 50.
Tsushima, 88.
Turkey, loans to, 72.

U

Ueberall, 108.
Uncle of Kings, 10.
United States, debt of, 41; power of, 157.
University, National, 170.
Unrest, 61.
Unseen Empire of Civilization, 180.
Unseen Empire of Debt, 25.
Unseen Empire of Finance, 4, 15, 20.
Usher, Roland G. on Persia, 68.

V

Valor of Ignorance, 115.
Vane, Francis P. Fletcher, 156.
Vickers, Sons and Maxim, 103, 104.

W

War, and modern banking, 83; as a catastrophe, 151; as normal function, 151; as world sickness, 83; buried by finance, 181; war debt and other debt, 25; war debt as a blessing, 56; expenditures a total loss, 57; future of, 175; not a mere heroic sport, 3; slain by Science, 181; source of national debt, 26.
War of 1812, 155.
War of Spoliation, 131.
War Scares, 111, 112, 113, 114, 115, 116, 117, 121.
Wardrooms and war, 146.
Waste of Armament, 54.
Watchdog of the Treasury, 153.
Weale, B. L. Putnam, 113, 156.
Wellington as borrower, 11.
Werthheimer, 19.
Wermuth, 153.
Westminster Review, 156.
White, Andrew D., on Bismarck's demands, 16.
White, Horace, on Confederate debt, 43.
White Man's burden, 91.
White Slave Traffic, 156, 169.
William, Landgrave of Hesse Cassel, 10.
Winslow, Admiral, 181.
Wirth, Max, 39, 40.
World Wide Movement, 107.
Wotherspoon, Gen. W. W., 168.
Wyatt, Harold F., on God's Test of War, 75.

Y

Yale Review, 125.
Yamamoto, Tatsuo, 153.
Yang Ki-tak of Korea, 123.
Young, Robert, 102.

Z

Zangwill, Israel, on Peace as created by Jewish moneylenders, 24; on passing of war, 148, 150.

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